UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011

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INDEX PAGE

Al Bassam

Certified Public Accountants & Consultants

Deloitte.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

SCOPE OF AUDIT

We have audited the accompanying statement of financial position of United Cooperative Assurance Company – A Saudi Joint Stock Company ('the Company') as at 31 December 2011 and the related statements of insurance operations and accumulated surplus, shareholders' comprehensive income, changes in shareholders' equity, statement of insurance operations cash flows and statement of shareholders' operations cash flows for the year then ended and the notes 1 to 28 which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards and the provisions of Article 123 of the Saudi Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

UNQUALIFIED OPINION

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

1. Present fairly, in all material respects, the financial position of the Company as at 31 December 2011 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and

2. Comply in all material respects, with the requirements of the Regulations for Companies and the Company's by-laws with respect to the preparation and presentation of the financial statements.

EMPHASIS OF MATTER

We draw attention to note 2 to the accompanying financial statements that these financial statements have been prepared in accordance with International Financial Reporting Standards and not in accordance with accounting standards issued by the Saudi Organisation for Certified Public Accountants ("SOCPA").

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26 Rabi Al-Awal 1433H
18 February 2012
Jeddah, Kingdom of Saudi Arabia

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UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
At 31 December 2011

	Note	***31 December 2011***	*31 December 2010*
		SR'000	*SR'000*
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	5	**210,908**	204,310
Available for sale investments	6	**28,475**	27,153
Held to maturity investments	7	**5,361**	4,861
Premiums receivable, net	8	**381,055**	363,126
Reinsurance' receivables, net	9	**8,843**	22,583
Reinsurers' share of unearned premiums	14	**83,450**	108,342
Reinsurers' share of outstanding claims	15	**121,725**	73,051
Deferred policy acquisition cost	10	**9,462**	7,898
Amount due from a related party	25	**-**	34,409
Prepayments and other receivables	11	**60,163**	29,046
Furniture, fittings and office equipment	12	**8,542**	4,920
Total insurance operations' assets		**917,984**	879,699
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	5	**181,780**	20,570
Time deposits		**-**	58,760
Available for sale investments	6	**17,450**	73,533
Held to maturity investments	7	**19,467**	17,472
Prepayments and other receivables		**105**	380
Amount due from a related party	25	**230**	230
Due from insurance operations		**47,708**	120,984
Goodwill	1	**78,400**	78,400
Statutory deposit	21	**20,000**	20,000
Total shareholders' assets		**365,140**	390,329
TOTAL ASSETS		**1,283,124**	1,270,028

The accompanying notes 1 to 28 form part of these financial statements.

UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
At 31 December 2011

	Note	***31 December 2011***	*31 December 2010*
		SR'000	*SR'000*
INSURANCE LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Reinsurers payables		**106,097**	98,244
Unearned commission income	13	**15,081**	18,444
Unearned premiums	14	**402,856**	312,947
Premium deficiency reserve		**-**	1,530
Unexpired risk reserve		**1,281**	1,281
Outstanding claims	15	**258,198**	224,450
Payables to policy holders		**9,887**	9,746
Accrued and other payables	16	**52,701**	75,283
Due to shareholders' operations		**47,708**	120,984
Employees' terminal benefits		**4,995**	2,792
Total insurance operations' liabilities		**898,804**	865,701
Insurance operations' surplus			
Accumulated surplus from insurance operations		**18,720**	13,419
Available for sale investments reserve	6	**460**	579
Total insurance operations' liabilities and surplus		**917,984**	879,699
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accruals and other payables		**5,540**	4,345
Accrued zakat and income tax	17	**17,088**	12,564
Amount due to a related party in respect of goodwill	1	**24,962**	78,400
Total shareholders' liabilities		**47,590**	95,309
Shareholders' equity			
Share capital	18	**200,000**	200,000
Statutory reserve	19	**27,429**	18,862
Retained earnings		**89,716**	75,450
Available for sale investments reserve	6	**405**	708
Total shareholders' equity		**317,550**	295,020
Total shareholders' liabilities and equity		**365,140**	390,329
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		**1,283,124**	1,270,028

The accompanying notes 1 to 28 form part of these financial statements.

UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	*31 December* **2011**	2010
		SR'000	*SR'000*
Revenues			
Gross premiums written		**1,068,776**	850,546
Less: Reinsurance premiums ceded		**(231,411)**	(255,101)
Excess of loss premiums		**(6,732)**	(2,646)
Net written premiums		**830,633**	592,799
Changes in net unearned premiums	14	**(114,801)**	30,149
Net premiums earned		**715,832**	622,948
Reinsurance commission received	13	**35,032**	39,873
Net revenues		**750,864**	662,821
Cost and expenses			
Gross claims paid	15	**669,699**	593,315
Less: Reinsurers' share	15	**(62,848)**	(67,014)
Net claims paid		**606,851**	526,301
Changes in outstanding claims		**(14,926)**	(25,707)
Net claims incurred	15	**591,925**	500,594
Policy acquisition cost	10	**21,214**	29,785
Unexpired risk reserve		**-**	1,281
Net cost and expenses		**613,139**	531,660
Net result of insurance operations		**137,725**	131,161
General and administrative expenses	23	**(87,084)**	(75,503)
Supervision and inspection fee		**(9,684)**	(7,144)
Investment income		**4,965**	15,775
Release of doubtful debts provision and other reserves		**7,087**	1,643
Surplus from insurance operations		**53,009**	65,932
Shareholders' share of insurance operations		**47,708**	59,339
Surplus for the year		**5,301**	6,593
Accumulated surplus at the beginning of the year		**13,419**	6,826
Accumulated surplus at the end of the year		**18,720**	13,419

The accompanying notes 1 to 28 form part of these financial statements.

UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF SHAREHOLDERS' OPERATIONS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	***31 December 2011***	*2010*
		SR'000	*SR'000*
Revenues			
Shareholders' share of insurance operations surplus		**47,708**	59,339
Commission income		**5,113**	1,804
Investment income		**34**	137
Realised gain on investments		**777**	858
Total revenues		**53,632**	62,138
EXPENSES			
General and administrative expenses	23	**2,054**	4,455
Board remunerations		**912**	1,036
Total expenses		**2,966**	5,491
NET INCOME FOR THE YEAR		**50,666**	56,647
Weighted average number of ordinary shares outstanding ('000)		**20,000**	20,000
Earnings per share for the year – basic and diluted (SR)	22	**2.53**	2.84

The accompanying notes 1 to 28 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	31 December	
	2011	*2010*
	SR'000	*SR'000*
Net income for the year	**50,666**	56,647
Other comprehensive income		
Change in value of available for sale investments	**(303)**	(216)
Other expenses		
Zakat and income tax (note 17)	**(7,833)**	(7,016)
Total comprehensive income for the year	**42,530**	49,415

UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

31 December 2011

	Saudi founding shareholders and general public				***Non-Saudi founding shareholders***				***Total***			
	Share capital	*Retained earnings*	*Statutory reserve*	*Change in value of available for sale investments*	*Share capital*	*Retained earnings*	*Statutory reserve*	*Change in value of available for sale investments*	*Share capital*	*Retained earnings*	*Statutory reserve*	*Change in value of available for sale investments*
	SR'000	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*
Balance as at 31 December 2010	196,000	74,147	18,485	694	4,000	1,303	377	14	200,000	75,450	18,862	708
Change in value of available for sale investments	-	-	-	(297)	-	-	-	(6)	-	-	-	(303)
Net income for the year	-	49,653	-	-	-	1,013	-	-	-	50,666	-	-
Zakat and income tax for the year (note 17)	-	(7,611)	-	-	-	(222)	-	-	-	(7,833)	-	-
Transferred to statutory reserve	-	(8,396)	8,396	-	-	(171)	171	-	-	(8,567)	8,567	-
Dividend (note 20)	-	(19,600)	-	-	-	(400)	-	-	-	(20,000)	-	-
Balance as at 31 December 2011	**196,000**	**88,193**	**26,881**	**397**	**4,000**	**1,523**	**548**	**8**	**200,000**	**89,716**	**27,429**	**405**

31 December 2010

	Saudi founding shareholders and general public				*Non-Saudi founding shareholders*				*Total*			
	Share capital	*Retained earnings*	*Statutory reserve*	*Change in value of available for sale investments*	*Share capital*	*Retained earnings*	*Statutory reserve*	*Change in value of available for sale investments*	*Share capital*	*Retained earnings*	*Statutory reserve*	*Change in value of available for sale investments*
	SR'000	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*
Balance as at 31 December 2009	196,000	35,125	8,757	906	4,000	620	179	18	200,000	35,745	8,936	924
Change in value of available for sale investments	-	-	-	(212)	-	-	-	(4)	-	-	-	(216)
Net income for the year	-	55,514	-	-	-	1,133	-	-	-	56,647	-	-
Zakat and income tax for the year	-	(6,764)	-	-	-	(252)	-	-	-	(7,016)	-	-
Transferred to statutory reserve	-	(9,728)	9,728	-	-	(198)	198	-	-	(9,926)	9,926	-
Balance as at 31 December 2010	196,000	74,147	18,485	694	4,000	1,303	377	14	200,000	75,450	18,862	708

The accompanying notes 1 to 28 form part of these financial statements.

UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	31 December	
	2011	*2010*
	SR'000	*SR'000*
Cash flows from operating activities:		
Surplus for the year from insurance operations	**5,301**	6,593
Adjustment for:		
Depreciation	**2,510**	1,198
Employees' terminal benefits	**2,203**	1,470
Realised gain on available for sale investments	**(27)**	(257)
Unrealised exchange gain	**(244)**	-
Provision for doubtful debts	**-**	4,855
Release of doubtful debts and other reserve	**(5,728)**	-
	4,015	13,859
Changes in operating assets and liabilities:		
Premiums receivable, net	**(13,358)**	(39,500)
Reinsurance' receivables	**14,978**	(11,767)
Reinsurers' share of unearned premium	**24,892**	(7,237)
Reinsurers' share of outstanding claims	**(48,674)**	57,811
Deferred policy acquisition cost	**(1,564)**	4,927
Amount due from a related party	**53,438**	131,882
Prepayments and other receivables	**(31,117)**	4,212
Reinsurers payables	**8,017**	31,867
Unearned commission income	**(3,363)**	(2,342)
Unearned premiums	**89,909**	(23,805)
Premium deficiency reserve	**(1,530)**	893
Unexpired risk reserve	**-**	1,281
Outstanding claims	**33,748**	(83,518)
Profit sharing reserve	**-**	(1,643)
Payables to policy holders	**146**	3,973
Accrued and other payables	**(22,587)**	27,125
Due to shareholders' operation	**(73,276)**	59,336
Net cash from operating activities	**33,674**	167,354
INVESTING ACTIVITIES		
Purchase of property and equipment	**(6,132)**	(2,655)
Purchase of available for sale investments	**(27,178)**	(26,460)
Purchase of held to maturity investments	**(500)**	(4,861)
Time deposits	**-**	19,639
Proceeds from sale of available for sale investments	**6,734**	30,257
Proceeds from sale of held to maturity investments	**-**	5,003
Net cash (used in) from investing activities	**(27,076)**	20,923
Increase in cash and cash equivalents	**6,598**	188,277
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**204,310**	16,033
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**210,908**	204,310
Non-cash transactions		
Transfer of available for sale investments to a related party	**19,029**	-
Change in value of available for sale investments	**(119)**	(63)

The accompanying notes 1 to 28 form part of these financial statements.

STATEMENT OF SHAREHOLDERS OPERATIONS' CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	31 December	
	2011	*2010*
	SR'000	*SR'000*
OPERATING ACTIVITIES		
Net income for the year	**50,666**	56,647
Adjustment for:		
Realised gain on available for sale investments	**(777)**	(858)
	49,889	55,789
Changes in operating assets and liabilities:		
Prepayments and other receivables	**275**	(356)
Due from insurance operations	**73,276**	(59,336)
Amount due to a related party in respect of goodwill	**(53,438)**	-
Accruals and other payables	**1,195**	4,132
Cash from operations	**71,197**	229
Zakat and income tax paid	**(3,309)**	-
Net cash from operating activities	**67,888**	229
INVESTING ACTIVITIES		
Time deposits	**58,760**	(28,267)
Purchase of available for sale investments	**(15,122)**	-
Purchase of held to maturity investments	**(6,951)**	(12,425)
Proceeds from sale of available for sale investments	**71,679**	59,956
Proceeds from sale of held to maturity investments	**4,956**	-
Net cash from investing activities	**113,322**	19,264
FINANCING ACTIVITIES		
Dividends paid	**(20,000)**	-
Net cash used in financing activities	**(20,000)**	-
Net increase in cash and cash equivalents	**161,210**	19,493
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**20,570**	1,077
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**181,780**	20,570
Non-cash transactions		
Change in value of available for sale investments	**(303)**	(216)

The accompanying notes 1 to 28 form part of these financial statements.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

United Cooperative Assurance (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030179955 dated 06 Jamad-al-Thani 1429H, corresponding to 6 June 2008. Registered Office address of the Company is Al-Mukmal Centre (1st and 4th floor) Al Rawdah Street, Khalediya District, P. O. Box 5019, Jeddah 21422, Kingdom of Saudi Arabia.

The activities of the Company are to transact cooperative insurance and reinsurance operations and related activities in the Kingdom of Saudi Arabia. On 29 Rabi Al Thani 1429H (5 May 2008), the Company received a license from the Saudi Arabian Monetary Agency (SAMA) to engage in insurance and reinsurance in Saudi Arabia. The Company started the operations on 1 January 2009.

The company entered into an agreement with UCA Insurance Bahrain BSC ('the seller') pursuant to which it acquired the sellers insurance operations in the Kingdom of Saudi Arabia, effective from 31 December 2008, at a goodwill amount of SR 78.40 million, as approved by the Saudi Arabian Monetary Agency ('SAMA'), along-with related insurance assets and liabilities of an equivalent amount (SR 656.95 million).

Furthermore, goodwill of SR 78.40 million, as approved by SAMA, and a corresponding liability (payable to the Seller) had retrospectively recorded in financial statements. In accordance with the instructions of SAMA, the initial instalment (50% of the portfolio price) was to be paid on 31 December 2009 and periodic payments are to be made till the end of 2015, subject to that the payment will not exceed 50% of the surplus available for distribution, after obtaining SAMA's approval before making any such payment. During the year, the company got approval of SAMA on 18 Shabaan 1432H corresponding to 19 July 2011, for the payment of goodwill for the years 2009 and 2010 amounting to SR 25.12 million and SR 28.32 million respectively. Accordingly, the company decreased its liability with respect of goodwill by SR 53.44 million.

2. BASIS OF PREPARATION

Basis of measurement

The financial statements are prepared under the historical cost convention except measurement of available for sale investment.

Statement of compliance

The Company has prepared these financial statements in accordance with International Financial Reporting Standards ("IFRS"). The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Basis of presentation

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations. Assets, liabilities, income and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses of joint operations is determined by the management and approved by the Board of Directors.

As per the bye-laws of the Company, surplus arising from the Insurance Operations is distributed as follows:

Transfer to Shareholders' operations	90%
Transfer to Policyholders' operations	10%
	100%

Functional and presentational currency

The functional and presentational currency of the Company is Saudi Riyals (SR). The financial statement values are presented in Saudi Riyals, unless otherwise indicated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Insurance contracts

Insurance contracts are defined as those containing insurance risk at the inception of the contract or those where at the inception of the contract there is a scenario with commercial substance of existence of insurance risk. This insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect.

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

Insurance contracts are principally divided into marine, property, motor, engineering and accident and liability and are principally short term insurance contracts.

Marine insurance is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in the total or partial loss of cargoes. For marine insurance, the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

Property insurance contracts mainly compensate the Company’s customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover). For property insurance contracts, the main risks are fire, business interruption and burglary.

Motor insurance is designed to compensate contract holders for damages suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for fire or theft of their vehicles. In Saudi Arabia, it is compulsory for all vehicles to have minimum third party cover. The Company also issues comprehensive motor policies. Such motor policies cover damages to vehicles due to storm, tempest, flood, fire, theft and personal accident.

Accident insurance includes money insurance, fidelity guarantee insurance, business all risk insurance, business travel insurance and exhibition insurance. Liability insurance includes general third-party liability, product liability, workmen’s compensation/employer’s liability and professional indemnity cover protecting the insured’s legal liability arising out of acts of negligence during their business operations.

Engineering insurance covers two principal types (a) “Contractors all risk” insurance offering cover during erection or construction of buildings or civil engineering works such as houses, shops, blocks of flats, factory buildings, roads, buildings, roads, bridges, sewage works and reservoirs. (b) “Erection all risk” insurance offering cover during the erection or installation of plant and machinery such as power stations, oil refineries, chemical works, cement works, metallic structures or any factory with plant and machinery. The Engineering line of business also includes machinery breakdown insurance and electronic equipment insurance.

Medical insurance is designed to compensate holders for expenses incurred in treatment of a disease, illness or injury. Medical insurance is primarily offered to corporate customers with a large population to be covered under the policy.

Claim and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported and to estimate the expected ultimate cost of more complex claims that may be affected by external factors such as court decisions.

Reinsurance

In the ordinary course of business, the Company cedes insurance premiums and risk. Such reinsurance arrangements provide for greater diversification of business, allows management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts. An asset or liability is recorded in the insurance operations' statement of financial position representing premiums due to reinsurers, net of commission income which represents income earned from reinsurance companies, or payments due from reinsurers and the share of losses recoverable from reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Reinsurance – (continued)

The Company assesses its reinsurance assets, if any, for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes the impairment loss in the statement of insurance operations and accumulated surplus. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for insurance and other receivables. The impairment loss is also calculated following the same method used for these financial assets.

Impairment and uncollectibility of financial assets

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

- for financial assets at amortized cost, the impairment loss is based on the difference between the present value of future anticipated cash flows and the carrying amount;
- for financial assets at fair value, the impairment loss is based on the decline in fair value; and
- for assets carried at cost, impairment is the difference between the cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

For presentation purposes, the resulting reserve is carried in the respective category within the statement of financial position and the related statements of insurance operations and accumulated surplus or shareholders' operations are adjusted.

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

Significant financial difficulty of the issuer or debtor;

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

Impairment of non-financial assets

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

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

Deferred policy acquisition costs

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

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

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

(a) Available for sale investments

Available for sale financials assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Such investments are initially recognized at cost and subsequently measured at fair value. Cumulative changes in fair value of investments are shown as a separate component in the statement of financial position and shareholders' comprehensive income. Realized gains or losses on sale of these investments are reported in the related statements of insurance operations and accumulated surplus or shareholders' operations. Dividends, commission income and foreign currency gain/loss on available for sale investments are recognized in the statement of shareholders' comprehensive operations.

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

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

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

(b) Investments in held to maturity securities

Investments which have fixed or determined payments that the Company has the positive intention and ability to hold to maturity are subsequently measured at amortized cost, less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognised in the statement of shareholders' operations or statement of insurance operations and accumulated surplus when the investment is derecognized or impaired.

Trade date accounting

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

Cash and cash equivalents

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

Goodwill

Purchase price paid in excess of fair value of net assets is considered as goodwill. Goodwill is tested for impairment by management at least once at the end of each financial year. Impairment for goodwill is determined by assessing the recoverable amount of the cash generating unit (or a group of cash generating units) to which the goodwill is related. When the recoverable amount of the cash-generating unit (or a group of cash generating units) is less than the carrying amount of the cash generating unit (or a group of cash generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in the future periods.

Property and equipment

Property and equipment are initially recorded at cost less accumulated depreciation and any impairment in value. Depreciation is charged to the statement of insurance operations and accumulated surplus on a straight line basis based on the following estimated useful lives:

	Years
Motor vehicles	4
Furniture and fittings	4 – 10
Computers and office equipment	4 – 10
Leasehold improvements	10

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions for obligations

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

Trade and other payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

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

Foreign currency translation

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

Liability adequacy test

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

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

Insurance and other receivables

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

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

End-of-service benefits

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

Revenue recognition

Recognition of premiums and commission revenue

Gross premiums and commissions on insurance contracts are recognized when the insurance policy is issued. The portion of premiums and commissions that will be earned in the future is reported as unearned premiums and commissions, respectively, and is deferred on a basis consistent with the term of the related policy coverage, except for marine cargo. The unearned portion for marine cargo represents last three months of the premiums written during the current financial period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition – (continued)

Recognition of premiums and commission revenue – (continued)

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

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

Commission income

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

Dividend income

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

Claims

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

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

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

Salvage and subrogation reimbursements

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

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

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

De-recognition of financial instruments

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

Offsetting

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

Leases

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Fair values of investments are based on quoted prices for marketable securities, or estimated fair values. For an unquoted equity investment, fair value is determined by reference to the market value of a similar investment or based on the expected discounted cash flows.

The fair values of financial assets and liabilities are not materially different from their carrying values at the reporting date.

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

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

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

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

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

Premium deficiency reserve
The Company carries out an analysis of loss/combined ratios for the expired period. Such ratios are being calculated by taking into account the relevant incurred but not reported provision and then used for the determination of premium deficiency reserve for each class of business.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segmental reporting

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

- Health insurance, which covers medical costs, medicines, and all other medical services and supplies.
- Motor Insurance, which provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Other classes, which covers any other classes of insurance not included above.

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

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the accompanying financial statements.

No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of financial statements of the Company.

New IFRS, IFRIC and amendments thereof, adopted by the Company

IASB has issued the following new and amended IFRS and International Financial Reporting Interpretations Committee interpretations (IFRIC). This note details (a) new standards and amendments effective for the first time for periods on or after January 1, 2011; (b) improvements to IFRSs; and (c) forthcoming requirements that is, new standards and amendments issued and effective after 1 January 2011.

(a) New standards and amendments

Standard/ Interpretation	*Description*	*Effective date*
IAS 1	Presentation of Financial Statements	1 January 2011
IAS 24	Related Party Transactions (Revised)	1 January 2011
IAS 32	Amendments to IAS 32 Classification of Rights Issues	1 February 2010
IAS 34	Interim Financial Reporting	1 January 2011
IFRS 1	First Time Adoption of IFRS – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	1 July 2010
IFRS 7	Amendment to IFRS 7 Financial Instruments: Disclosure	1 July 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instrument	1 July 2010

The accounting policies used in preparation of these financial statements are consistent with those of the previous financial year and the adoption of the relevant new and amended standards and interpretations applicable to the Company did not have any significant impact on the financial statements of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective

IASB has issued the following new and amended IFRS and IFRIC interpretations that are not yet effective:

Standard/ Interpretation	*Description*	*Effective date*
IFRS 9	Financial Instruments – Classification and Measurement	1 January 2015
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 12	Disclosures of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IAS 1	Amendments to IAS 1 Presentation of financial statements	1 July 2012
IAS 12	Amendments to Income taxes – Deferred taxes: Recovery of underlying assets	1 January 2012
IAS 19	Amendments to IAS 19 Employee benefits	1 January 2013

Adoption of the relevant standards and interpretations applicable to the Company would result in some additional disclosures and changes in certain classifications in the financial statements. However, the Company does not expect any significant impact on its financial position or performance from such adoption.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

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

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that needed to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on quarterly basis.

The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

Impairment losses on receivables

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

Deferred acquisition costs

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

5. CASH AND CASH EQUIVALENTS

	2011	*2010*
	SR'000	*SR'000*
Insurance operations		
Cash at banks	153,556	74,601
Short term deposits	57,352	129,709
	210,908	204,310
Shareholders' operations		
Cash in hand and at banks	136,135	570
Short term deposits	45,645	20,000
	181,780	20,570

Cash at banks are placed with counterparties who have good credit ratings.

The carrying amounts disclosed above reasonably approximate fair value at the statement of financial position date.

6. AVAILABLE FOR SALE INVESTMENTS

Insurance operations

Available for sale investments at local banks represent units in investment funds listed in Tadawul whereas the investment with foreign banks are listed in international stock exchanges. The unrealized gain of SR 0.46 million as at 31 December 2011 (31 December 2010: SR 0.58 million) was credited to the surplus from insurance operations as available for sale reserve.

Movement in available for sale investments have summarized below:

As at 31 December 2011	Balance at the beginning of the year *SR'000*	Movement during the year *SR'000*	Change in fair value for the year *SR'000*	Balance at the end of year *SR'000*
Investments in equity shares	14,903	(6,888)	383	8,398
Investments in mutual funds	3,463	16,537	77	20,077
Investments in bonds	8,787	(8,787)	-	-
	27,153	862	460	28,475

As at 31 December 2010	Balance at the beginning of the year *SR'000*	Movement during the year *SR'000*	Change in fair value for the year *SR'000*	Balance at the end of the year *SR'000*
Investments in equity shares	-	14,557	346	14,903
Investments in mutual funds	30,326	(26,994)	131	3,463
Investments in bonds	-	8,693	94	8,787
	30,326	(3,744)	571	27,153

6. AVAILABLE FOR SALE INVESTMENTS – (continued)

Shareholders' operations

	2011 *SR'000*	*2010* *SR'000*
Quoted securities	15,527	71,610
Unquoted securities	1,923	1,923
	17,450	73,533

i) Available for sale – quoted securities

As at 31 December 2011	Balance at the beginning of the year SR'000	Movement during the year SR'000	Change in fair value for the year SR'000	Balance at the end of the year SR'000
Investment in money market fund managed by Caam Saudi Fransi	51,699	(51,699)	-	-
Investment in Al Qandeel fund managed by Caam Saudi Fransi	19,911	(19,911)	-	-
Investment in equities managed by Audi Capital	-	15,122	405	15,527
	71,610	(56,488)	405	15,527

As at 31 December 2010	Balance at the beginning of the year SR'000	Movement during the year SR'000	Change in fair value for the year SR'000	Balance at the end of the year SR'000
Investment in money market fund managed by Caam Saudi Fransi	111,001	(59,956)	654	51,699
Investment in Al Qandeel fund managed by Caam Saudi Fransi	19,923	-	(12)	19,911
	130,924	(59,956)	642	71,610

The unrealized loss of SR 0.41 million as at 31 December 2011 (31 December 2010: Gain SR 0.71 million) was credit to the statement of changes in shareholders' equity as available for sale investments reserve.

ii) Available for sale – unquoted securities

As at 31 December 2011	Balance at the beginning of the year SR'000	Movement during the year SR'000	Change in fair value for the year SR'000	Balance at the end of the year SR'000
Investment in local company	1,923	-	-	1,923
	1,923	-	-	1,923

As at 31 December 2010	Balance at the beginning of the year SR'000	Movement during the year SR'000	Change in fair value for the year SR'000	Balance at the end of the year SR'000
Investment in local company	1,923	-	-	1,923
	1,923	-	-	1,923

7. HELD TO MATURITY INVESTMENTS

Insurance operations

The held to maturity investments represent security instruments with fixed interest rate with 4 - 5 year time horizon yielding an effective interest rate ranging from 2.40 - 4.25% (31 December 2010: 4.875%) on an annual basis. The company has purchased security for SR 5.36 million (31 December 2010: SR 4.86 million).

Shareholders' operations

The held to maturity investments represent security instruments with fixed interest rate with 3 – 5 year time horizon yielding an effective interest rate ranging from 2.5% to 3.5% (31 December 2010: 3.75% to 4.75%) on an annual basis. During the period, the company purchased Bank Aljazira bonds for SAR 5 million and SBG Sukuk bonds SR 1.95 million which carries zero interest. The book value of the securities, net of amortization is SR 19.47 million (31 December 2010: SR 17.47 million).

8. PREMIUMS RECEIVABLE

	2011 *SR'000*	2010 *SR'000*
Due from policyholders	178,408	137,083
Due from related parties	229,617	257,584
Doubtful debt provision	(26,970)	(31,541)
	381,055	363,126

31 December 2011	Less than 90 days	*Past due but not fully impaired* 91 to 180 days	More than 180 days	Total
Amount in SR '000				
Premiums receivable	106,996	26,318	45,094	178,408
Premiums receivable – related parties	209,234	19,286	1,097	229,617
Provision for doubtful debts	-	(6,841)	(20,129)	(26,970)
Premiums receivable, net	316,230	38,763	26,062	381,055

31 December 2010	Less than 90 days	*Past due but not fully impaired* 91 to 180 days	More than 180 days	Total
Amount in SR '000				
Premiums receivables	81,859	10,813	44,411	137,083
Premiums receivables – related parties	196,084	61,239	261	257,584
Provision for doubtful debts	-	(10,808)	(20,733)	(31,541)
Premiums receivable, net	277,943	61,244	23,939	363,126

Movement in provision for doubtful debts is as follows:

	2011 *SR'000*	2010 *SR'000*
Balance at the beginning of the year	31,541	29,041
Provision provided during the year	-	2,500
Release of provision during the year	(4,571)	-
Balance at the end of the year	26,970	31,541

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables and the vast majority is, therefore, unsecured. In respect of premiums receivable, the five largest customer balances accounted for approximately 64.95% of this balance as at 31 December 2011 (2010: 64.29%). Receivables comprise a large number of customers and insurance companies mainly within the Kingdom of Saudi Arabia.

9. REINSURANCE RECEIVABLE

	2011 *SR '000'*	2010 *SR '000'*
Reinsurance receivables	12,008	26,905
Doubtful debt provision	(3,165)	(4,322)
	8,843	22,583

10. DEFERRED ACQUISITION COST

	2011 SR '000'	2010 SR '000'
As at 1 January	7,898	12,825
Cost incurred during the year	22,778	24,858
Charge for the year	(21,214)	(29,785)
As at 31 December	9,462	7,898

11. PREPAYMENTS AND OTHER RECEIVABLES

	2011 *SR '000'*	2010 SR '000'
Deferred TPA fee	3,767	3,767
Prepaid expenses	5,097	4,070
Accrued interest	20	80
Advances to hospitals	39,320	17,368
Other	11,959	3,761
	60,163	29,046

12. PROPERTY AND EQUIPMENT

Insurance Operations

	Motor Vehicles *SR'000*	*Furniture & fittings* *SR'000*	*Computers & office equipment* *SR'000*	*Leasehold Improvements* *SR'000*	*Total* *SR'000*
Cost:					
At the beginning of the year	70	2,542	3,689	265	6,566
Additions	78	2,570	1,729	1,755	6,132
Closing balance	148	5,112	5,418	2,020	12,698
Depreciation:					
At the beginning of the year	19	416	1,137	74	1,646
Charge for the year	15	796	1,073	626	2,510
Closing balance	34	1,212	2,210	700	4,156
Net book value:					
At 31 December 2011	114	3,900	3,208	1,320	8,542
At 31 December 2010	51	2,126	2,552	191	4,920

13. UNEARNED COMMISSION INCOME

	2011 *SR '000'*	2010 *SR '000'*
As at 1 January	18,444	20,786
Commission received during the year	31,669	37,531
Commission earned during the year	(35,032)	(39,873)
As at 31 December	15,081	18,444

14. MOVEMENT IN UNEARNED PREMIUM

	2011 SR '000'	2010 SR '000'
Gross unearned premium as at 1 January	312,947	336,752
Premium deficiency reserve as at 1 January	1,530	637
Gross unearned premium as at 31 December	(402,856)	(312,947)
Premium deficiency reserve as at 31 December	(1,530)	(1,530)
Movement in unearned premium	(89,909)	22,912
Reinsurers' share of unearned premium as at 1 January	(108,342)	(101,105)
Reinsurers' share of unearned premium as at 31 December	83,450	108,342
Movement in reinsurance share of unearned premiums	(24,892)	7,237
Movement in unearned premiums, net	(114,801)	30,149

15. CLAIMS

	2011 *SR'000*	*2010* *SR'000*
Gross claims paid	669,699	593,315
Gross outstanding claims at the end of the year	258,198	224,450
	927,897	817,765
Gross outstanding claims at the beginning of the year	(224,450)	(307,968)
Gross claims incurred	703,447	509,797
Reinsurance recoveries	(62,848)	(67,014)
Reinsurers' share of outstanding claims at the end of the year	(121,725)	(73,051)
	(184,573)	(140,065)
Reinsurers' share of outstanding claims at the beginning of the year	73,051	130,862
Reinsurers' share of claims	(111,522)	(9,203)
Net claims incurred	591,925	500,594

Substantially all of the amounts due from reinsurers are expected to be received within twelve months of the reporting date. Reinsurers share of outstanding claims are calculated in proportion to the related risk distribution pattern.

16. ACCRUALS AND OTHER PAYABLES

	2011 SR '000'	2010 SR '000'
Insurance Operations		
Accrued expenses	460	665
Garages	2,000	3,876
TPA fees	4,082	12,038
Insurance brokers	2,584	2,965
Surveyor	147	804
Commission and incentives payable	11,024	25,796
CCHI fees payable	3,017	3,037
Supervision and inspection fee payable	1,326	802
Withholding tax payable	8,554	7,513
Others	19,507	17,787
	52,701	75,283

17. ZAKAT AND INCOME TAX

Zakat and Income Tax

The Zakat and income tax payable by the Company has been calculated in accordance with Zakat regulations in Kingdom of Saudi Arabia.

The zakat and income tax provision for the year is based on the following:	2011 *SR '000'*	*2010* *SR '000'*
Equity	200,000	200,000
Statutory deposit	(20,000)	(20,000)
Statutory reserves	18,862	8,963
Profit of previous years	106,876	50,229
Dividends paid	(20,000)	-
End of services benefits	2,792	1,322
Held to maturity investments	(24,828)	(22,475)
Property and equipment, net	(8,542)	(4,920)
	255,160	213,119
Profit for the year	50,666	56,647
Provision for doubtful debts	(151)	4,855
End of services benefits	4,995	1,470
Zakat base	310,670	276,091
Attributable to Saudi Shareholders @ 98%	304,457	270,569
Zakat @ 2.5%	7,611	6,764
Income tax Attributable to Non Saudi Shareholder @ 2%	1,110	1,259
Income tax @ 20%	222	252
Zakat and income tax	7,833	7,016

17. ZAKAT AND INCOME TAX – (continued)

The movement in the Zakat and Income tax payable is as follows:

	2011	2010
	SR'000	SR'000
Balance at the beginning of the year	12,564	5,548
Charge for the year	7,833	7,016
Paid during the year	(3,309)	-
Balance at the end of the year	17,088	12,564

The differences between the financial and the zakatable results are mainly due to certain adjustments in accordance with the relevant fiscal regulations.

Status of assessment:

The Company has filed its zakat declarations for the years ended 31 December 2009 and 2010 and obtained restricted zakat certificates.

18. SHARE CAPITAL

The authorized, issued and paid up share capital of the Company is SR 200 million at year end consisting of 20 million shares of SR 10 each.

19. STATUTORY RESERVE

As required by Saudi Arabian Insurance Regulations, 20% of the net shareholders' income shall be set aside as a statutory reserve until this reserve amounts to 100% of paid capital. The reserve is not available for distribution.

20. DIVIDENDS

The general assembly held a meeting on 24 Rajab 1432 H (Corresponding to 26 June 2011) and approved the Board of Directors' proposal to distribute cash dividends of SR 1 per share to the registered shareholders as at the date of the Company's general assembly meeting.

21. STATUTORY DEPOSIT

	2011	*2010*
	SR'000	*SR'000*
Shareholders' Operations		
Statutory deposit	20,000	20,000

As required by Saudi Arabian Insurance Regulations, the Company deposited 10% of its paid up capital, amounting to SR 20 million in a bank designated by the Saudi Arabian Monetary Agency (SAMA). The company cannot withdraw this deposit without SAMA approval.

22. EARNINGS PER SHARE

Earnings per share for the period have been calculated by dividing the net income for the year by the weighted average number of issued and outstanding shares for the year.

23. GENERAL AND ADMINISTRATIVE EXPENSES

	2011	*2010*
	SR'000	*SR'000*
Insurance operations		
Employee costs	55,216	46,679
Legal and professional fees	1,411	2,298
Office rent	8,717	7,038
Provision for doubtful debts	-	4,855
Depreciation	2,510	1,198
Office expenses	2,483	2,453
Communication expenses	3,149	2,825
Vehicle expenses	115	136
Printing & stationery	2,147	1,058
Courier and postage	434	477
Electricity	261	202
Other	10,641	6,284
	87,084	75,503

Shareholders operations

	2011	*2010*
	SR'000	*SR'000*
Professional fees	480	225
Fees on unpaid goodwill	1,248	3,920
Others	326	310
	2,054	4,455

24. SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, operating segments have been approved by Management in respect of the Company's activities, assets and liabilities as stated below.
Segment results do not include general and administrative expenses, and board of directors' remuneration and expenses.

Segment assets do not include insurance operations cash and cash equivalents, investments, premium receivables, reinsurance receivables, prepaid expenses and other assets, and property and equipment, net.

Segment liabilities do not include reinsurance payables, accrued expenses and other liabilities, due to shareholders' operations and employees' terminal benefits.

Operating segments

	Medical SR '000	Motor SR '000	Others SR '000	Total SR '000
For the year ended 31 December 2011				
Insurance operations				
Gross premiums written	309,556	496,245	262,975	1,068,776
Premiums ceded	(6,135)	(992)	(224,284)	(231,411)
Excess of loss premiums	(746)	(4,158)	(1,828)	(6,732)
Net premiums written	302,675	491,095	36,863	830,633
Change in net unearned premiums	541	(116,033)	691	(114,801)
Net premiums earned	303,216	375,062	37,554	715,832
Reinsurance commission received	2,181	278	32,573	35,032
Net revenue	305,397	375,340	70,127	750,864
COSTS AND EXPENSES:				
Gross claim paid	272,324	342,568	54,807	669,699
Less: Reinsurance share	(144)	(16,960)	(45,744)	(62,848)
Net claims paid	272,180	325,608	9,063	606,851
Change in net outstanding claims	(30,510)	13,681	1,903	(14,926)
Net claims incurred	241,670	339,289	10,966	591,925
Policy acquisition cost	9,920	6,786	4,508	21,214
Net cost and expenses	251,590	346,075	15,474	613,139
Net underwriting results	53,807	29,265	54,653	137,725
Supervision and inspection fee	(1,546)	(2,480)	(1,205)	(5,231)
CCHI fees	(4,453)			(4,453)
Unallocated expenses				(87,084)
Release of doubtful debts provision and other reserves				7,087
Unallocated investment income				4,965
Surplus from insurance operations				53,009
As at 31 December 2011				
Reinsurance share of unearned premiums	2,683	259	80,508	83,450
Reinsurance share of outstanding claims	122	3,255	118,347	121,724
Deferred acquisition cost	3,782	3,756	1,924	9,462
Unallocated assets				703,348
				917,984
Unearned Premiums	114,948	195,830	92,078	402,856
Outstanding claims	45,133	82,307	130,758	258,198
Unearned commission income	755	124	14,202	15,081
Unallocated liabilities				241,849
				917,984

24. SEGMENTAL INFORMATION – (continued)

	Medical SR '000	Motor SR '000	Others SR '000	Total SR '000
For the year ended 31 December 2010				
Insurance operations				
Gross premiums written	310,445	257,309	282,792	850,546
Premiums ceded	(5,516)	(2,070)	(247,515)	(255,101)
Excess of loss premiums	(190)	(747)	(1,709)	(2,646)
Net premiums written	304,739	254,492	33,568	592,799
Change in net unearned premiums	(22,692)	58,733	(5,892)	30,149
Net premiums earned	282,047	313,225	27,676	622,948
Reinsurance commission received	4,219	416	35,238	39,873
Net revenue	286,266	313,641	62,914	662,821
COSTS AND EXPENSES:				
Gross claim paid	278,957	255,514	58,844	593,315
Less: Reinsurance share	(20,828)	(352)	(45,834)	(67,014)
Net claims paid	258,129	255,162	13,010	526,301
Change in net outstanding claims	(1,699)	(15,480)	(8,528)	(25,707)
Net claims incurred	256,430	239,682	4,482	500,594
Policy acquisition cost	8,795	10,225	10,765	29,785
Unexpired risk reserve	-	-	1,281	1,281
Net cost and expenses	265,225	249,907	16,528	531,660
Net underwriting results	21,041	63,734	46,386	131,161
Supervision and inspection fee	(1,498)	(1,242)	(1,367)	(4,107)
CCHI fees	(3,037)			(3,037)
Unallocated expenses				(75,503)
Unallocated income				1,643
Unallocated investment income				15,775
Surplus from insurance operations				65,932
As at 31 December 2010				
Reinsurance share of unearned premiums	2,085	360	105,897	108,342
Reinsurance share of outstanding claims	24	640	72,387	73,051
Deferred acquisition cost	61	3,870	3,967	7,898
Unallocated assets	-	-	-	690,408
				879,699
Unearned Premiums	114,892	79,898	118,157	312,947
Outstanding claims	75,545	66,010	82,895	224,450
Unearned commission income	1,965	-	16,476	18,441
Unallocated liabilities	-	-	-	323,861
				879,699

25. RELATED PARTY TRANSACTIONS

The following are the details of major related party transactions during the year.

Related party	*Nature of transactions*	*Amount of transaction For the year ended*		*Balance as of*	
		31 December 2011	*31 December 2010*	*31 December 2011*	*31 December 2010*
		SR'000	*SR'000*	*SR'000*	*SR'000*
Insurance Operations					
UCA Bahrain B.S.C (c)	Transfer of available for sale investments	19,029	-	-	34,409
	Funds received	(53,438)			
Shareholders					
Saudi Bin Laden – Group	Premium	390,072	330,039		
	Payments and claims	(412,102)	(267,323)	215,804	237,834
Rashed Al Rashed – Group	Premium	21,986	21,098		
	Payments and claims	(28,796)	(16,194)	9,591	16,401
Saudi Import Company	Premium	11,162	9,952		
	Payments and claims	(10,323)	(9,249)	4,189	3,350
Al Faisaliah Group	Premium	2,104	-		
	Payments and claims	(2,071)	-	33	-
Key management personnel	Remuneration and related expenses	3,759	3,399	-	-
Shareholders Operations					
UCA Bahrain B.S.C (c)	Goodwill payable	53,438	78,400	24,962	78,400
Najm for insurance services	Expenses	-	-	230	230
Board members	Board of directors remunerations	912	1,036	-	-

26. GEOGRAPHICAL DISTRIBUTION

Most of the Company's assets and liabilities are located in the Kingdom of Saudi Arabia except for the below foreign investments and short term deposits.

Type of Investments	Location	2011	2010
		SR, 000	SR, 000
Investments in equity shares	Africa	136	145
Investments in equity shares	Europe	-	658
Investments in equity shares	Middle east	689	13,882
Investments in equity shares	USA	-	219
Investments in mutual fund	Europe	-	63
Investments in mutual fund	Middle east	-	383
Investments in mutual fund	USA	-	2,878
Investments in bonds	Middle east	6,169	7,650
Investments in bonds	USA	-	1,136
Short term deposits	Europe	-	1,452
Short term deposits	Middle east	87,998	128,260
		94,992	156,726

The above investments were held and placed outside Saudi Arabia as at the financial position date.
All the above will be liquidated during the subsequent period and be placed in the Kingdom of Saudi Arabia.

27. RISK MANAGEMENT

Risk governance

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organisational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and strategic plan approved by the Board. The Company is exposed to insurance, reinsurance, regulatory framework, credit, liquidity, foreign currency, commission rate, and market risks.

Risk management structure

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

Board of Directors

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

Senior management

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

Audit Committee and Internal Audit Function

Risk management processes throughout the Company are audited annually by the Internal Audit function which examines both the adequacy of the procedures and the Company's compliance with such procedures. The Internal Auditor discusses the results of all assessments with senior management, and reports its findings and recommendations directly to the Audit Committee.

The primary objective of the Company's risk and financial management framework is to protect the Company from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities.

The risks faced by the Company and the manner in which these risks are mitigated by management are summarized below:

Insurance risk management

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The principal risk that the Company faces under such contracts is the occurrence of the insured events and the severity of reported claims. The Company's risk profile is improved by diversification of these risks of losses to a large portfolio of contracts as a diversified portfolio is less likely to be affected by an unexpected event in a single subset.

Underwriting and retention policies and procedures and limits and clear underwriting authorities precisely regulate who is authorized and accountable for concluding insurance and reinsurance contracts and at what conditions. Compliance with these guidelines is regularly checked and developments in the global, regional and local market are closely observed, reacting were necessary with appropriate measures that are translated without delay into underwriting guidelines if required.

The primary risk control measure in respect of the insurance risk is the transfer of risks to third parties via reinsurance. The reinsurance business ceded is placed on a proportional and non-proportional basis with retention limits varying by lines of business. The placements of reinsurance contracts are diversified so that the Company is not dependent on a single reinsurer or a reinsurance contract.

Reinsurance is used to manage insurance risk. Although the Company has reinsurance arrangements, it does not, however, discharge the Company's liability as primary insurer and thus a credit risk exposure remains with respect to reinsurance ceded to the extent that any reinsurer may be unable to meet its obligations under such reinsurance arrangements. The Company minimizes such credit risk by entering into reinsurance arrangements with reinsurers having good credit ratings, which are reviewed on a regular basis. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract. Reserve risks are controlled by constantly monitoring the provisions for insurance claims that have been submitted but not yet settled and by amending the provisions, if deemed necessary.

27. RISK MANAGEMENT – (continued)

Frequency and Severity of Claims
The frequency and severity of claims can be affected by several factors. The Company underwrites mainly medical, motor, fire and burglary, general accident and marine classes. These classes of insurance are generally regarded as short-term insurance contracts where claims are normally intimated and settled within a short time span. This helps to mitigate insurance risk.

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

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

Motor
For motor insurance contracts, the main elements of risk are claims arising out of death and bodily injury and damage to third party properties as well as that of insured vehicles. The Company has a concentration in motor insurance which accounts for 39 % of gross written premium.

The potential court awards for deaths and bodily injury and the extent of damage to properties are the key factors that influence the level of claims. This risk is covered by per occurrence excess of loss treaties that also covers involvement of more than one vehicle in an accident.

General Accident and Workmen's Compensation
For miscellaneous accident classes of insurance such as loss of money, personal accident, workmen's compensation, travel, general third party liability and professional indemnity are underwritten. The extent of loss or damage and the potential court awards for liability classes are the main factors that influence the level of claims.

Marine
In marine insurance the main risk elements are loss or damage to insured cargo and hull due to various mishaps resulting in total or partial loss claims. The extent of the loss or damage is the main factor that influences the level of claims.

The insurance risks mainly emanate from Saudi Arabia. An arrangement has been made with reinsurers through proportional treaties.

Concentration of insurance risk
The Company does not have insurance contract covering risks for single incidents that expose the Company to multiple insurance risks. The Company has adequately reinsured for insurance risks that may involve significant litigation. The Company does not have any material claims where the amount and timing of payment is not resolved within one year of the reporting date.

Medical
The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across the industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions, regular view of actual claims experience and product pricing, as well as detailed claims handling procedures. The Company further enforces a policy of actively managing and promptly pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company. The Company has reinsurance cover to limit the losses for any individual claim to SR 30,000.

Regulatory framework risk

The operations of the Company are subject to local regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise.

27. RISK MANAGEMENT – (continued)

Credit risk

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

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

The Company only enters into insurance and reinsurance contracts with recognised, credit worthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.

The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.

The Company investment portfolio is managed by the investment committee in accordance with the investment policy established by the investment committee.

The Company, with respect to credit risk arising from other financial assets, is restricted to commercial banks having strong financial positions and credit ratings.

There are no significant concentrations of credit risk within the Company.

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

31 December 2011

	Insurance operations SR '000	Shareholders operations SR '000
Cash and cash equivalents	210,908	181,780
Investments	33,836	36,917
Premiums and insurance balances receivable	389,898	-
Reinsurers' share of unearned premium	83,450	-
Reinsurers' share of outstanding claims	121,724	-
Prepayments and other receivables	60,163	105
	899,979	218,802

31 December 2010

	Insurance operations SR '000	Shareholders operations SR '000
Cash and cash equivalents	204,310	20,570
Time deposits	-	58,760
Investments	32,014	91,005
Premiums and insurance balances receivable	385,709	-
Reinsurers' share of unearned premium	108,342	-
Reinsurers' share of outstanding claims	73,051	-
Due from related party	34,409	-
Prepayments and other receivables	29,046	380
	866,881	170,715

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. A significant amount of funds are invested in time deposits with local banks.

27. RISK MANAGEMENT – (continued)

Maturity profiles

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

31 December 2011

	Up to one year SR '000	More than one year SR' 000	Total SR' 000
Insurance Operations' Financial Liabilities			
Reinsurance balances payable	96,842	9,255	106,097
Accrued expenses and other liabilities	52,701	-	52,701
Gross outstanding claims	258,198	-	258,198
	407,741	9,255	416,996
Shareholders' Financial Liabilities			
Accrued expenses and other liabilities	5,540	-	5,540
	5,540	-	5,540
Total Financial Liabilities	413,281	9,255	422,536

31 December 2010

	Up to one year SR '000	More than one year SR' 000	Total SR' 000
Insurance Operations' Financial Liabilities			
Reinsurance balances payable	98,244	-	98,244
Accrued expenses and other liabilities	75,283	-	75,283
Gross outstanding claims	224,450	-	224,450
	397,977	-	397,977
Shareholders' Financial Liabilities			
Accrued expenses and other liabilities	4,345	-	4,345
	4,345	-	4,345
Total Financial Liabilities	402,322	-	402,322

Liquidity profile

None of the financial liabilities on the statement of financial position are based on discounted cash flows and are all payable on a basis as set out above.

27. RISK MANAGEMENT – (continued)

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company principal transactions are carried out in Saudi Riyal. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

31 December 2011

	SR	US Dollar	Total
	SR '000	SR' 000	SR '000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	63,048	147,860	210,908
Investments	28,110	5,726	33,836
Premiums and insurance balances receivable	389,898	-	389,898
Reinsurance receivable	8,843	-	8,843
Reinsurers' share of unearned premium	83,450	-	83,450
Reinsurers' share of outstanding claims	121,724	-	121,724
Prepayments and other receivables	60,163	-	60,163
TOTAL INSURANCE OPERATIONS' ASSETS	755,236	153,586	908,822
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	46,073	135,707	181,780
Investments	24,402	12,515	36,917
TOTAL SHAREHOLDERS ASSETS	70,475	148,222	218,697
TOTAL ASSETS	825,711	301,808	1,127,519

31 December 2010

	SR	US Dollar	Total
	SR '000	SR' 000	SR '000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	31,467	172,843	204,310
Time deposits	-	-	-
Investments	5,000	27,014	32,014
Premiums and insurance balances receivable	363,126	-	363,126
Reinsurance receivable	22,583	-	22,583
Reinsurers' share of unearned premium	108,342	-	108,342
Reinsurers' share of outstanding claims	73,051	-	73,051
Prepayments and other receivables	32,167	-	32,167
TOTAL INSURANCE OPERATIONS' ASSETS	635,736	199,857	835,593
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	20,521	49	20,570
Time Deposits	-	58,760	58,760
Investments	91,005	-	91,005
TOTAL SHAREHOLDERS ASSETS	111,526	58,809	170,335
TOTAL ASSETS	747,262	258,666	1,005,928

27. RISK MANAGEMENT – (continued)

Foreign currency risk – (continued)

31 December 2011

	SR SR '000	US Dollar SR '000	Total SR '000
INSURANCE OPERATIONS' LIABILITIES			
Reinsurance balances payable	106,097	-	106,097
Accrued expenses and other liabilities	52,701	-	52,701
Gross outstanding claims	258,198	-	258,198
	416,996	-	416,996
SHAREHOLDERS' LIABILITIES			
Accrued expenses and other liabilities	5,540	-	5,540
TOTAL SHAREHOLDERS' LIABILITIES	5,540	-	5,540
TOTAL LIABILITIES	422,536	-	422,536

31 December 2010

	SR SR '000	US Dollar SR '000	Total SR '000
INSURANCE OPERATIONS' LIABILITIES			
Reinsurance balances payable	98,244	-	98,244
Accrued expenses and other liabilities	78,405	-	78,405
Gross outstanding claims	224,450	-	224,450
	401,099	-	401,099
SHAREHOLDERS' LIABILITIES			
Accrued expenses and other liabilities	4,345	-	4,345
TOTAL SHAREHOLDERS' LIABILITIES	4,345	-	4,345
TOTAL LIABILITIES	405,444	-	405,444

27. RISK MANAGEMENT – (continued)

Commission rate risk

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

The Company is exposed to commission rate risk on certain of its investments, cash and cash equivalents, and time deposits. The Company limits commission rate risk by monitoring changes in commission rates in the currencies in which its investments are denominated.

The following table demonstrates the sensitivity of statement of Shareholders' comprehensive income to reasonably possible changes in commission rates, with all other variables held constant.

The sensitivity of the statement of shareholders' comprehensive income is the effect of the assumed changes in commission rates on the Company's income for the year, based on the floating rate financial assets and financial liabilities held as at December 31:

	Change in basis points	Effect on comprehensive income for the year SR'000
2011	50	+/- 440
2010	50	+/- 4,032

i) Market price risk

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

These investments are managed by a professional fund manager in accordance with the guidelines approved by the Board of Directors.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

As at 31 December 2011

	Level 1	Level 2	Level 3	Total
Available for sale Investments				
Equity securities:				
Insurance operations	28,339	-	-	28,339
Shareholders' operations	15,527	-	1,923	17,450
	43,866	-	1,923	45,789

As at 31 December 2010

	Level 1	Level 2	Level 3	Total
Available for sale Investments				
Equity securities:				
Insurance operations	18,365	-	-	18,365
Shareholders' operations	71,610	-	1,923	73,533
Debt securities:				
Insurance operations	8,786	-	-	8,786
	98,761	-	1,923	100,684

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

27. RISK MANAGEMENT – (continued)

Capital management

Capital requirements are set and regulated by the Saudi Arabian Monetary Agency. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximise shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders' or issue shares. In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial year.

28. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the board of directors on 18 February 2012 corresponding to 26 Rabi Al-Awal 1433H.