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

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A Saudi Joint Stock Company)
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Deloitte.

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
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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.

Chief Financial Officer (A) Chief Executive Officer Director

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.

Chief Financial Officer (A) Chief Executive Officer Director

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.

Chief Financial Officer (A) Chief Executive Officer Director

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.

Chief Financial Officer (A) Chief Executive Officer Director

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)

		Year ended December 31,	
	Note	**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.

Chief Financial Officer (A) Chief Executive Officer Director

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.

Chief Financial Officer (A) Chief Executive Officer Director

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.

Chief Financial Officer (A) Chief Executive Officer Director

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.

Chief Financial Officer (A) Chief Executive Officer Director

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 it's 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.

2.1 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%

2.2 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.

- 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

2.3 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.

2.4 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.

2.5 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.

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.

2.6 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.

2.7 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.

2.8 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.

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.

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.

2.9 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.

2.10 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

2.11 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.

2.12 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.

2.13 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.

2.14 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.

2.15 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 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.

2.16 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.

2.17 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.

2.18 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.

2.19 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.

2.20 Accrued and other liabilities

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

2.21 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.

2.22 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.

2.23 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.

2.24 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.

2.25 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.

2.26 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.

2.27 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 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.

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

	2013	2012
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

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**

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

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

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

13. Accrued and other liabilities

a) Insurance operations	**2013**	**2012**
Accrued expenses	**29,283,978**	27,238,932
b) Shareholders' operations		
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.

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.

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

19 Segmental reporting (Continued)

As at December, 31 2013

	Medical	Motor	Property	Others	Total
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

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

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.

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.

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.

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.

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

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.

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 re-insurance 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 re-insurance 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

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.

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

	Less than 12 months	More than 12 months	Total
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

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

	Less than 12 months	More than 12 months	Total
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.

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

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**

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.