AXA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER, 2015

AXA COOPERATIVE INSURANCE COMPANY
(SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

KPMG Al Fozan & Partners

PKF Al-Bassam & Al-Nemer
Allied Accountants

AUDIT REPORT

TO THE SHAREHOLDERS OF AXA COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

SCOPE OF AUDIT:

We have audited the accompanying statement of financial position of AXA Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as at 31 December 2015, the related statements of income - insurance operations and accumulated surplus, shareholders' operations, comprehensive income, changes in shareholders' equity, insurance operations' and shareholders' cash flows for the year then ended and the related notes 1 through 26 which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards, the provisions of Article 123 of the Regulations for Companies and the Company's By-laws and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

UNQUILIFIED OPINION:

In our opinion, the financial statements taken as whole:

- present fairly, in all material respects the financial position of the Company as at 31 December 2015 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and
- comply with the requirements of the Regulations for Companies and the Company's by-laws in so far as they affect the preparation and presentation of the financial statements.

EMPHASIS OF MATTER:

We draw attention to the fact that these financial statements are prepared in accordance with International Financial Reporting Framework and not in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia as issued by Saudi Organization for Certified Public Accountants.

KPMG Al Fozan & Partners

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17 February 2016G
Corresponding to : 8 Jumada Al-Awal 1437H

KPMG Al Fozan & Partners Certified Public Accountants

Allied Accountants 520/11/323 Licence No.

AXA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015
Expressed in thousand Saudi Riyals unless otherwise stated

	Notes	2015	2014
Insurance operations' assets			
Cash and cash equivalents	4	44,286	188,876
Short-term deposits	5	259,910	168,299
Premiums and insurance balances receivable		163,714	162,042
Less: Provision for doubtful debts		(22,420)	(21,980)
Premiums and insurance balances receivable - net	6, 14	141,294	140,062
Receivable from related parties	14	-	236
Reinsurers' share of unearned premiums	9	43,382	35,073
Reinsurers' share of outstanding claims	8, 9	102,637	141,529
Deferred policy acquisition costs	9	18,689	17,475
Available-for-sale investments	7	85,008	74,454
Other assets		8,146	6,445
Long-term deposits	5	7,500	7,500
Held-to-maturity investments	7	75,000	75,000
Due from shareholders		126,969	51,472
Furniture, fixtures and equipment	11	6,255	4,464
Intangibles - computer software		3,207	3,004
Total insurance operations' assets		922,283	913,889
Shareholders' assets			
Cash and cash equivalents	4	146,459	10,636
Short-term deposits	5	105,360	20,000
Available-for-sale investments	7	123,338	95,069
Other assets		3,171	4,234
Long-term deposits	5	71,250	56,250
Held-to-maturity investments	7	60,000	60,000
Goodwill on acquisition of insurance portfolio	1	50,000	-
Statutory deposit	10	45,000	20,000
Total shareholders' assets		604,578	266,189
Total assets		1,526,861	1,180,078

The accompanying notes from 1 to 26 form an integral part of these financial statements.

AXA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

Expressed in thousand Saudi Riyals unless otherwise stated

	Notes	2015	2014
Insurance operations' liabilities and accumulated surplus			
Reinsurers' balances payable		42,775	42,723
Unearned premiums	9	293,456	279,550
Outstanding claims		182,623	258,938
Claims incurred but not reported and other reserve		275,926	220,668
	9	458,549	479,606
Deferred reinsurance commission	9	6,484	4,831
Accrued and other liabilities	12	95,281	85,733
Due to related parties	14	100	-
Employee end of service benefits	13	20,436	17,380
Total insurance operations' liabilities		917,081	909,823
Accumulated surplus from insurance operations		5,357	2,926
Fair value (loss) / reserve on available-for-sale investments	7	(155)	1,140
Total insurance operations accumulated surplus		5,202	4,066
Total insurance operations' liabilities and accumulated surplus		922,283	913,889
Shareholders' liabilities and equity			
Shareholders' liabilities			
Accrued zakat and income tax	16	7,058	4,839
Accrued and other liabilities	12	2,090	2,734
Due to insurance operations		126,969	51,472
Total shareholders' liabilities		136,117	59,045
Shareholders' equity			
Share capital	17	450,000	200,000
Statutory reserve	18	5,132	921
Fair value reserve	7	17	2,541
Accumulated surplus		13,312	3,682
Total shareholders' equity		468,461	207,144
Total shareholders' liabilities and equity		604,578	266,189
Total insurance operations' liabilities and accumulated surplus and shareholders' liabilities and equity		1,526,861	1,180,078
Contingencies and commitments	23		

These financial statements presented on pages 1 to 53 are approved by the Board and signed on its behalf by:

Paul Adamson	Gary Lewin	Babar Ali Khan
Managing Director	Chief Executive Officer	Chief Financial Officer

The accompanying notes 1 through 26 form an integral part of these financial statements.

AXA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INCOME – INSURANCE OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED 31 DECEMBER 2015
Expressed in thousand Saudi Riyals unless otherwise stated

	Notes	2015	2014
Revenues			
Gross premiums written	9, 14	1,128,176	1,040,111
Less: Reinsurance premiums ceded	9, 14	(126,156)	(128,619)
Net premiums written		1,002,020	911,492
Changes in unearned premiums		(13,906)	(68,710)
Changes in reinsurer's share of unearned premiums		8,309	7,885
Net premiums earned	9	996,423	850,667
Reinsurance commissions	9, 14	17,472	17,120
Investment income, net	19	8,349	7,574
Total revenues		1,022,244	875,361
Costs and expenses			
Gross claims paid	9	884,651	703,635
Less: Reinsurers' share	9, 14	(75,242)	(78,204)
Net claims paid	9, 14	809,409	625,431
Changes in outstanding claims	9	17,835	88,099
Net claims incurred		827,244	713,530
Policy acquisition costs	9	70,070	51,664
General and administrative expenses	20	100,621	97,481
Total costs and expenses		997,935	862,675
Net surplus from insurance operations		24,309	12,686
Shareholders' appropriation of surplus		(21,878)	(11,418)
Net result from insurance operations after appropriation of surplus	15	2,431	1,268
Accumulated surplus, beginning of the year		2,926	1,658
Accumulated surplus, end of the year	15	5,357	2,926

The accompanying notes 1 through 26 form an integral part of these financial statements.

AXA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INOCME - SHAREHOLDERS' OPERATIONS
FOR THE YEAR ENDED 31 DECEMBER 2015
Expressed in thousand Saudi Riyals unless otherwise stated

	Notes	2015	2014
Net surplus transferred from insurance operations	15	21,878	11,418
Investment income, net	19	7,618	8,050
General and administrative expenses	20	(1,641)	(1,421)
Shareholders' net income for the year		27,855	18,047
Weighted average number of outstanding shares	22	43,712	33,532
Basic and diluted earnings per share (Saudi Riyals)	22	0.637	0.538

The accompanying notes 1 through 26 form an integral part of these Financial Statements.

AXA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF COMPREHENSIVE INCOME – SHAREHOLDERS' OPERATIONS
FOR THE YEAR ENDED 31 DECEMBER 2015
Expressed in thousand Saudi Riyals unless otherwise stated

	Notes	2015	2014
Shareholders' net income for the year		27,855	18,047
Provision for zakat and income tax	16	(6,800)	(2,441)
		21,055	15,606
Items that may subsequently be reclassified to statement of shareholders' income			
Changes in fair value reserve on available-for-sale investments, net	7	(2,524)	163
Total comprehensive income for the year		18,531	15,769

The accompanying notes 1 through 26 form an integral part of these Financial Statements.

AXA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015
Expressed in thousand Saudi Riyals unless otherwise stated

	Share capital	Statutory reserve	Fair value reserve	Accumulated (deficit) surplus	Total
Balance at January 1, 2014	200,000		2,378	(11,003)	191,375
Net income for the year	-		-	18,047	18,047
Provision for zakat and income tax	-	-	-	(2,441)	(2,441)
Transfer to statutory reserve	-	921	-	(921)	-
Changes in fair value reserve on available-for-sale investments, net	-	-	163	-	163
Balance at December 31, 2014	200,000	921	2,541	3,682	207,144
Balance at January 1, 2015	200,000	921	2,541	3,682	207,144
Issuance of share capital	250,000	-	-	-	250,000
Net income for the year	-	-	-	27,855	27,855
Provision for zakat and income tax	-	-	-	(6,800)	(6,800)
Transfer to statutory reserve	-	4,211	-	(4,211)	-
Right issue transaction costs	-	-	-	(7,214)	(7,214)
Changes in fair value reserve on available-for-sale investments, net	-	-	(2,524)	-	(2,524)
Balance at December 31, 2015	450,000	5,132	17	13,312	468,461

The accompanying notes 1 through 26 form an integral part of these Financial Statements.

AXA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS – INSURANCE OPERATIONS
FOR THE YEAR ENDED 31 DECEMBER 2015

Expressed in thousand Saudi Riyals unless otherwise stated

	Notes	2015	2014
Cash flow from operating activities			
Net results from insurance operations		2,431	1,268
Adjustments to reconcile net results from insurance operations to net cash from operating activities:			
Shareholders' appropriation of surplus from insurance operations	15	21,878	11,418
Amortization of premium on available-for-sale investments	7	16	169
Accretion of discount on available-for-sale investments	7	(88)	(9)
Provision for doubtful debts		440	3,750
Provision for employee end of service benefits	13	4,758	2,638
Depreciation	11	2,334	1,561
Amortization of intangibles – computer software		1,539	2,056
		33,308	22,851
Changes in operating assets and liabilities:			
Premium and insurance balances receivable		(1,672)	(13,230)
Reinsurers' share of unearned premiums		(8,308)	(7,885)
Reinsurers' share of outstanding claims		38,892	(78,725)
Deferred policy acquisition costs		(1,214)	(768)
Other assets		(1,702)	1,165
Receivable from related parties		236	8,156
Reinsurers' balances payable		52	3,558
Unearned premiums		13,906	68,710
Advance premiums		-	(7,517)
Outstanding claims		(76,315)	104,351
Claims incurred but not reported and other reserve		55,258	62,473
Deferred reinsurance commission		1,653	(266)
Accrued and other liabilities		9,548	34,899
Payable to a related party		100	-
Employee end of service benefits		(1,702)	(1,753)
Due from shareholders		(97,375)	(48,588)
Net cash (used in) / provided by operating activities		(35,335)	147,431
Cash flow from investing activities			
Purchase of furniture, fixtures and equipment	11	(4,125)	(1,607)
Proceeds from disposal of furniture, fixtures and equipment	11	-	15
Purchase of computer software		(1,742)	(1,349)
Short-term deposits		(91,611)	(141,758)
Purchase of available-for-sale investments	7	(12,966)	(9,410)
Proceeds from disposal of available-for-sale investments	7	1,189	23,949
Net cash used in investing activities		(109,255)	(130,160)
Net change in cash and cash equivalents		(144,590)	17,271
Cash and cash equivalents, beginning of the year		188,876	171,605
Cash and cash equivalents, end of the year		44,286	188,876
Supplemental cash flow information			
Non-cash investing activities			
Changes in fair value of available-for-sale investments	7	(1,295)	2,211

The accompanying notes from 1 to 26 form an integral part of these financial statements.

AXA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS – SHAREHOLDERS' OPERATIONS
FOR THE YEAR ENDED 31 DECEMBER 2015

Expressed in thousand Saudi Riyals unless otherwise stated

	Notes	2015	2014
Cash flow from operating activities			
Shareholders' net income for the year		27,855	18,047
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Accretion of premium on available-for-sale investments	7	36	108
Amortization of discount on available-for-sale investments	7	(161)	(8)
Impairment of available-for-sale investments	7	3,499	238
Appropriation of surplus from insurance operations	15	(21,878)	(11,418)
		9,351	6,967
Changes in operating assets and liabilities:			
Other assets		1,063	(3,026)
Zakat and income tax paid		(4,581)	(3,047)
Accrued and other liabilities		(644)	1,193
Due to insurance operations		97,375	48,588
Net cash provided by operating activities		102,564	50,675
Cash flow from investing activities			
Short-term deposits		(85,360)	(20,000)
Purchase of available-for-sale investments	7	(45,156)	(26,032)
Proceeds from sale of available-for-sale investments	7	10,989	5,102
Statutory deposit		(25,000)	-
Long-term deposits		(15,000)	-
Payment in respect of portfolio transfer		(50,000)	
Net cash used in investing activities		(209,527)	(40,930)
Cash flow from financing activities			
Proceed from share capital issuance		250,000	-
Right issue transaction cost		(7,214)	-
Net cash provided by financing activities		242,786	-
Net increase in cash and cash equivalents		135,823	9,745
Cash and cash equivalents, beginning of the year		10,636	891
Cash and cash equivalents, end of the year		146,459	10,636
Supplemental cash flow information			
Non-cash operating activity -			
Zakat and income tax charged to shareholders' comprehensive income	16	(6,800)	(2,441)
Non-cash investing activity:			
Changes in fair value of available-for-sale investments	7	(2,524)	163

The accompanying notes from 1 to 26 form an integral part of these financial statements.

1. ORGANIZATION AND ACTIVITIES

a. General Information

AXA Cooperative Insurance Company (the "Company") is a Saudi joint stock company established in the Kingdom of Saudi Arabia by the Royal Decree No. M/36 dated 27 Jumada II 1429H (July 1, 2008) (date of inception). The Company was incorporated vide Ministerial Order No Q/192, dated 10 Jumada II 1430H, (June 3, 2009) (date of incorporation). The Company is registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010271203 issued in Riyadh on 20 Rajab 1430H (July 13, 2009). The Company's registered address is P.O. Box 753, Riyadh 11421, Kingdom of Saudi Arabia.

The principal activities of the Company are to engage in cooperative insurance operations and all related activities including reinsurance activities under the Law on Supervision of Cooperative Insurance (the "Law") and the Company's by-laws and other regulations promulgated in the Kingdom of Saudi Arabia. The Company obtained licence from the Saudi Arabian Monetary Agency ("SAMA") to practice general and medical insurance and reinsurance business in the Kingdom of Saudi Arabia vide licence No. TMN/25/2010, dated 11 Safar 1431H (corresponding to January 26, 2010). The Company has commenced insurance operations on 4 Rabi' I 1431H (corresponding to February 18, 2010) after obtaining full product approval for certain products and temporary approval for the remaining products. Currently, the Company is in the process of obtaining full product approval for the remaining products from the regulator. Management believes that such approvals will be obtained in due course.

b. Portfolio transfer

The shareholders' of the AXA Saudi Arabia Holding W.L.(formerly AXA Insurance (Saudi Arabia) B.S.C.(c)) (the 'Seller'), at the time of formation of the Company, had principally agreed to transfer certain of the Seller's assets and liabilities and the insurance portfolio (the "Transfer") in Saudi Arabia to the Company with effect from January 1, 2009, subject to approval and at a value to be determined by SAMA.

On 15 Dhul-Qadah 1433H (corresponding to October 1, 2013), SAMA approved the transfer, with effect from January 1, 2009, at a maximum consideration of Saudi Riyals 106.57 million. Consequent to SAMA's approval, the Company had formally entered into a purchase agreement with the shareholders' of the Seller to effect the transfer. Also, the shareholders of the Company had approved the portfolio transfer at their Extra Ordinary General Assembly Meeting held on December 10, 2012. The effects of the transfer have been reflected in the financial statements for the period from June 3, 2009 to December 31, 2010 and the year ended December 31, 2011.

On 15 Ramadan 1436H (corresponding to June 24, 2015) the Company received an approval from SAMA for payment of initial consideration to seller amounting to Saudi Riyals 50 million subject to fulfilment of certain conditions dictated by SAMA.

During the year, the Company has increased the capital and met conditions imposed by SAMA. As a result, the Company received approval from SAMA for the payment of initial consideration, not exceeding 20% of the capital increase, amounting to Saudi Riyals 50 million. Accordingly, the Company has recognized goodwill amounting to Saudi Riyals 50 million in lieu of consideration paid to the seller which was previously recognized as contingent liability.

Based on instructions issued by SAMA, year 2015 was last year for the payments of consideration, therefore no further amount is payable to the Seller. Accordingly, the remaining amount of Saudi Riyals 56.57 million is relinquished.

Expressed in thousand Saudi Riyals unless otherwise stated

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented.

2.1 Basis of preparation

Basis of measurement
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.

Statement of compliance
The financial statements of the Company for the year ended 31 December 2015 have been prepared by the management in accordance with International Financial Reporting Standards (IFRS). Accordingly, these financial statements are not intended to be a presentation in conformity with the accounting standards generally accepted in the Kingdom of Saudi Arabia, as issued by the Saudi Organization for Certified Public Accountants (SOCPA).

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations. The physical custody of all assets related to the Insurance Operations and Shareholders' Operations are held by the Company.

Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of other revenue and expenses from joint operations is determined by the management and Board of Directors.

As per the by-laws of the Company, surplus arising from the insurance operations is distributed as follows:

Transfer to shareholders' operations	90%
Transfer to insurance operations'	10%
	100%

If the insurance operations result in a deficit, the entire deficit is borne by the shareholders' operations.

a) 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, 2015 but had no significant financial impact on the financial statements of the Company:

- Amendments to IAS 19, 'Employee benefits' on defined benefit plans, effective July 1, 2014. This amendment clarifies the application of IAS 19, 'Employee benefits' (2011) - referred to as 'IAS 19R', to plans that require employees or third parties to contribute towards the cost of benefits. The amendment does not affect the accounting for voluntary contributions.
- Annual Improvements 2010-2012 and 2011- 2013 cycles:

  Annual improvements to IFRS 2010-2012 and 2011-2013 cycle applicable for annual periods beginning on or after 1 July 2014. The IASB made amendments to a total of twelve standards, which included amendments to IFRS 13 Fair Value Measurement. It clarifies in the Basis of Conclusions that short-term receivables and payables with no stated interest rate can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company (continued)

b) Standards, interpretations and amendments to published standards that will be effective for the periods commencing after January 1, 2015 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 after January 1, 2015:

- IFRS 9 Financial Instruments: IFRS 9, published in July 2014, replace the existing guidance in IAS 39 Financial Instruments: Recognition and measurements. IFRS 9 includes revised guidance on the classification and measurements of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The company is assessing the potential impact on its financial statements resulting from the application of IFRS 9.

The following new or amended standards are not expected to have significant impact on the financial statements.

- IFRS 15 Revenue from contracts with customers, effective for annual period on or after 1 January 2018.
- Agriculture: Bearer Plants (Ammendment to IAS 16 and 41) , effective for annual period on or after 1 January 2016.
- IFRS 14 Regulatory Deferral Accounts , effective for annual period on or after 1 January 2016.
- Accounting for acquisition of Interest in Joint Operations (Ammended to IFRS 11) , effective for annual period on or after 1 January 2016.
- Classification of acceptable methods of depreciation and amortization (Ammended to IAS 16 and IAS38) , effective for annual period on or after 1 January 2016.
- Equity method in separate financial statements (Ammendment to IAS 27) , effective for annual period on or after 1 January 2016.
- Sales or contribution of Assets between an Investor and its Associate or Joint Venture (Amended to IFRS 10 and IAS28) , effective for annual period on or after 1 January 2016.
- Annual improvements to IFRSs 2012 – 2014 Cycle – various standards , effective for annual period on or after 1 January 2016.
- Investment Entities: Applying the consolidation exceptions (Ammendment to IFRS 10, IFRS 12, IAS 28) , effective for annual period on or after 1 January 2016.
- Disclosure initiative (Ammendment to IAS 1) , effective for annual period on or after 1 January 2016.
- Disclosure initiative (Ammendment to IAS 7) , effective for annual period on or after 1 January 2018.
- IFRS 16 Leases , effective for annual period on or after 1 January 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 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.

2.3 Segment reporting

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incur 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.

- Segment assets do not include cash and cash equivalents, short-term deposits, long-term deposits, available-for-sale investments, held-to-maturity investments, receivable from related parties, premiums and insurance balances receivable, other assets, due from shareholders', furniture, fixtures and equipment and intangibles;
- Segment liabilities and surplus do not include reinsurers' balances payable, advance premiums, payable to a related party, accrued and other liabilities, employee end of service benefits and fair value reserve on available-for-sale investments; and
- Operating segments do not include shareholders' operations.

For management purposes, the Company is organized into business units based on their products and services and has the following reportable segments:

- Accident and liability;
- Motor;
- Property;
- Marine;
- Engineering;
- Health; and
- Protection

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

2.4 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 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 date of statement of financial position. All differences are taken to the statements of insurance operations or to the statement of shareholders' income. Foreign exchange differences are not significant and have not been disclosed separately.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Financial assets

2.5.1 Classification

The Company classifies its financial assets in the following categories: loans and receivables, available-for-sale and held-to-maturity investments.

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 commission rates, exchange rates or equity prices; these are designated as such at inception.

c) Held-to-maturity investments

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

2.5.2 Recognition, measurement and de-recognition

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. Loans and receivable and investments held-to-maturity are carried at amortized costs using effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognized in the statements of income - insurance operations and accumulated surplus / shareholders' operations when the investment is derecognized or impaired. Changes in the fair value of available-for-sale investments are recognised in statements of shareholders' comprehensive income and financial position for insurance operations.

Financial assets are derecognised when the rights to receive cash flows from those assets 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' income. Commission on available-for-sale investments calculated using the effective interest method is recognised in the statement of income – insurance operations and accumulated surplus as part of investment income.

2.5.3 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 income – insurance operations and accumulated surplus. Dividends on available-for-sale equity instruments are recognized in the statement of income – insurance operations and accumulated surplus when the Company's right to receive payments is established. Both are included in the investment income line.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Financial assets (continued)

2.5.4 Impairment of financial 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 statements of income - insurance operations and accumulated surplus / shareholders' operations.

(b) Available-for-sale investments

The Company assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss.

The cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the statements of income - insurance operations and accumulated surplus / 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 statements of income - insurance operations and accumulated surplus / shareholders' operations.

(c) Off-setting

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 off-set in the statement of insurance operations and accumulated surplus and shareholders' income unless required or permitted by any accounting standard or interpretation.

2.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments, if any, with less than three months maturity from the date of acquisition.

2.7 Short-term and long-term deposits

Short-term deposits comprise of time deposits with banks with maturity periods of more than three months and less than one year from the date of acquisition. Long-term deposits represent time deposits with maturity periods of more than one year.

2.8 Unearned reinsurance commission income

Commission receivable on outwards reinsurance contracts are deferred and amortised over the terms of the insurance contracts to which they relate. Amortisation is recorded in the statement of insurance operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Insurance contracts

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

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

2.10 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 terms of the insurance contracts.

2.11 Claims

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

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 date of statement of financial position. Any difference between the provisions at the date of statement of financial position and settlements for the following period is included in the statement of insurance operations for that period.

2.12 Salvage and subrogation reimbursement

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

Estimates of salvage recoveries are included as an allowance in the measurement of the outstanding claims liability. The allowance is the amount that can reasonably be recovered from the disposal of property.

Subrogation reimbursements are also considered as an allowance in the measurement of the outstanding claims liability. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

2.13 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 held. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Reinsurance (continued)

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.

2.14 Liability adequacy test

At each date of the statement of financial position, the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of insurance operations and an additional risk provision is created.

2.15 Furniture, fixtures and equipment

Furniture, fixtures and equipment are carried at cost less accumulated depreciation and impairment, if any in value. Depreciation is charged to the income statement, using the straight-line method, to allocate costs of the related assets to their residual values over the estimated useful lives as follows:

	Number of years
Furniture and fixtures	5
Equipment	3 – 4

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

The carrying values of furniture, fixtures and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair values less costs to sell and their value in use.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Intangible assets

Intangible assets mainly include computer software whether acquired or internally developed is capitalised on the basis of cost incurred to acquire and bring to use or develop the specific software. These costs are amortised over their estimated useful lives of four years using the straight line method. Impairment losses, if any, are deducted from the carrying amount of the intangible assets.

Amortisation on additions to intangibles is charged from the month in which an asset is available for use, while no amortisation is charged for the month in which the asset is disposed of. Cost associated with maintaining computer software programs are recognised as an expense when incurred.

The assets' residual values, useful lives and method for amortisation are reviewed at each financial year end and adjusted if impact on amortisation is significant.

2.17 Accrued and other liabilities

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

2.18 Provisions

Provisions are recognized when a reliable estimate can be made for a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation.

2.19 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.

2.20 Employee end of service benefits

Employee end of service benefits required by Saudi Labour and Workman Law are accrued by the Company and charged to the statement of income – 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 financial position date. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labour law of Saudi Arabia.

2.21 Zakat and income 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 comprehensive incoeme – shareholders' operations. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. Zakat is computed on the Saudi shareholders' share of equity and / or net income using the basis defined under the regulations of DZIT. Income tax is computed on the foreign shareholders' share of net income for the year. Zakat and income tax are charged to retained earnings as these are liabilities of the shareholders. Zakat and income tax are charged in full to the retained earnings. Income tax charged to the retained earnings, in excess to the proportion of the Saudi shareholders' zakat per share, is recovered from the foreign shareholders and credited to retained earnings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Zakat and income taxes (continued)

Deferred income tax on all major temporary differences between financial income and taxable income are recognized during the period in which such differences arise, and are adjusted when related temporary differences are reversed. Deferred income tax are determined using tax rates which have been substantially enacted at the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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.

2.22 Revenue recognition

(a) Recognition of premium and reinsurance commission revenue

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

Premiums earned on reinsurance assumed, if any, are recognised as revenue in the same manner as if the reinsurance premiums were considered to be gross premiums.

(b) Commission income

Commission income from short-term deposits, long-term deposits, bonds available-for-sale and investments held-to-maturity is recognized on a time proportion basis using the effective commission rate method.

(c) Dividend income

Dividend income is recognized when the right to receive a dividend is established.

2.23 Surplus from insurance operations

In accordance with the requirements of the Implementing Regulations for Co-operative Insurance (the Regulations) issued by SAMA, 90% of the net surplus from insurance operations is transferred to the statement of shareholders' income, while 10% of the net surplus is distributable to policyholders. Such surplus distributable to policyholders is disclosed under "Insurance operations' accumulated surplus".

2.24 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.

2.25 Seasonality of operations

There are no seasonal changes that affect insurance operations.

3. CRITICAL ACCOUNTING ESTIMATES

The Company makes estimates and assumptions that affect 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:

Liability arise from claims under insurance contracts

Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance policies. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the date of statement of financial position and for the expected ultimate cost of claims incurred but not yet reported "IBNR" at the date of statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends. The reserve is calculated on the basis of management assumptions including prudent external actuarial valuation methods.

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

Premium deficiency reserve

At each statement of financial position date, liability adequacy tests are performed separately for each class of business to ensure the adequacy of the unearned premium liability for that class. It is performed by comparing the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after statement of financial position date in respect of policies in force at statement of financial position date with the carrying amount of unearned premium liability. Any deficiency is recognised by establishing a provision (premium deficiency reserve) to meet the deficit.

The expected future liability is estimated with reference to the experience during the expired period of the contracts, adjusted for significant individual losses which are not expected to recur during the remaining period of the policies, and expectations of future events that are believed to be reasonable.

The movement in the premium deficiency reserve is recognised as an expense or income in the statement of insurance operations for the year.

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.

3. CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

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.

Provisions

A provision for incurred liabilities is recognized when the Company has a present legal or constructive obligations as a result of past events and it is more likely than not that an outflow of resource will be required to settle the obligation and the amount has been reliably estimated.

Expressed in thousand Saudi Riyals unless otherwise stated

4. CASH AND CASH EQUIVALENTS

	2015	2014
Insurance operations:		
Cash at banks and in hand	**12,083**	98,538
Time deposits	**32,203**	90,338
	44,286	188,876
Shareholders' operations:		
Cash at banks and in hand	-	10,000
Time deposits	**146,459**	636
	146,459	10,636

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 commission income at a rate of 0.75% to 1.9% (2014: 0.40% to 1.15%) per annum.

5. SHORT TERM AND LONG TERM DEPOSITS

The rate of return on short-term deposits with various banks, for insurance operations and shareholders' operations, ranges from 0.75% to 2.3% (2014: 0.75% to 2.55%) per annum depending on tenure. These short term deposits have maturities up to 16 December 2016 (2014: 30 March 2015).

Long-term deposits for insurance operations and shareholders' operations represent deposits in various banks. Carrying commission income at a rate of 2% to 3% (2014: 2% to 3%) per anum and will mature by 28 February 2020

6. PREMIUMS AND INSURANCE BALANCES RECEIVABLE

	2015	2014
Receivable from policy holders (Note 14)	**73,475**	61,834
Receivable from insurance intermediaries	**70,832**	79,086
Receivable from reinsurers (Note 14)	**19,407**	21,122
	163,714	162,042
Provision for doubtful debts (Note 14)	**(22,420)**	(21,980)
Total	**141,294**	140,062

Movement in provision for doubtful debts is as follows:

	2015	2014
Balance, January 1	**21,980**	18,230
Charged during the year	**440**	3,750
Balance, December 31	**22,420**	21,980

Expressed in thousand Saudi Riyals unless otherwise stated

6. PREMIUMS AND INSURANCE BALANCES RECEIVABLE (CONTINUED)

Ageing of receivables from insurance and reinsurance contracts is as follows:

	Total	Neither past due nor impaired	Past due but not impaired		
			91 to 180 days	181 to 360 days	More than 360 days
December 31, 2015	**141,294**	**74,526**	**45,075**	**19,475**	**2,218**
December 31, 2014	140,062	84,277	39,839	5,337	10,609

Receivables comprise a large number of customers, intermediaries and insurance companies mainly within the Kingdom of Saudi Arabia and reinsurance companies in the Kingdom of Saudi Arabia, GCC and Europe. Premiums and reinsurance balances receivable at December 31, 2015 include Saudi Riyal 19,168 (2014: Saudi Riyal 20,290) 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 7% of the premiums receivable as at December 31, 2015 (2014: 11%). In addition, the five largest customers account for 31% of the premiums receivable as at December 31, 2015 (2014: 37%).

Unimpaired premiums and insurance balances receivables are expected to be fully recoverable. It is not the practice of the Company to obtain collateral over these receivables and the vast majority is, therefore, unsecured.

7. INVESTMENTS

A. Available-for-sale investments – short term

Available-for-sale investments include the following:

2015	Insurance operations	Shareholders' operations
Government bonds	**31,787**	**33,795**
Other bonds	**38,388**	**71,590**
Mutual funds	**14,833**	**-**
Equities	**-**	**17,953**
	85,008	**123,338**

2014	Insurance operations	Shareholders' Operations
Government bonds	42,402	41,159
Other bonds	16,868	33,663
Mutual funds	15,184	-
Equities	-	20,247
	74,454	95,069

Expressed in thousand Saudi Riyals unless otherwise stated

7. INVESTMENT (CONTINUED)

Movement in available-for-sale investments is as follows:

2015	**Insurance operations**	**Shareholders' operations**
Balance, January 1	**74,454**	**95,069**
Purchases	**12,966**	**45,156**
Disposals	**(1,189)**	**(10,989)**
Amortization of premium on available-for-sale investments	**(16)**	**(36)**
Accretion of the discount on available-for-sale investments	**88**	**161**
Impairment (Note 19)	**-**	**(3,499)**
Changes in fair value, net	**(1,295)**	**(2,524)**
Balance, December 31	**85,008**	**123,338**

2014	Insurance operations	Shareholders' operations
Balance, January 1	86,942	74,314
Purchases	9,410	26,032
Disposals	(23,949)	(5,102)
Amortization of premium on available-for-sale investments	(169)	(108)
Accretion of the discount on available-for-sale investments	9	8
Impairment (Note 19)	-	(238)
Changes in fair value, net	2,211	163
Balance, December 31	74,454	95,069

Available-for-sale investments at December 31, 2015 include 1,923,078 shares (2014: 1,923,078) in Najam for Insurance Services, and are held by the Company at Nil value.

Movement in fair value reserve on available-for-sale investments is as follows:

2015	**Insurance operations**	**Shareholders' operations**
Balance, January 1	**1,140**	**2,541**
Unrealised losses	**(1,285)**	**(1,006)**
Realised gains on disposals	**(10)**	**(1,518)**
Balance, December 31	**(155)**	**17**

2014	Insurance operations	Shareholders' Operations
Balance, January 1	(1,071)	2,378
Unrealised gains	1,894	1,557
Realised losses / (gains) on disposals	317	(1,394)
Balance, December 31	1,140	2,541

Expressed in thousand Saudi Riyals unless otherwise stated

7. INVESTMENT (CONTINUED)

The fair value reserve on available-for-sale investments comprises of:

	Insurance operations	Shareholders' operations
2015		
Unrealised gains	**750**	**1,875**
Unrealised losses	**(905)**	**(1,858)**
	(155)	**17**
2014		
Unrealised gains	1,305	3,482
Unrealised losses	(165)	(941)
	1,140	2,541

B. Held-to-maturity investments

Insurance operations:

Type of security	Issuer	Maturity period	Profit rate	Book value net of amortization 2015	Book value net of amortization 2014
Sukuks	General Authority of Civil Aviation II	10 years	3.21%	**60,000**	60,000
Sukuks	Saudi Electricity Global	10 years	3.47%	**15,000**	15,000
				75,000	75,000

Shareholders' operations:

Type of security	Issuer	Maturity period	Profit rate	Book value net of amortization 2015	Book value net of amortization 2014
Sukuks	General Authority of Civil Aviation II	10 years	3.21%	**60,000**	60,000

8. REINSURERS' SHARE OF OUTSTANDING CLAIMS

All amounts due from reinsurers are expected to be received within 12 months from the statement of financial position date.

Expressed in thousand Saudi Riyals unless otherwise stated

9. MOVEMENT IN DEFERRED POLICY ACQUISITION COSTS, DEFERRED REINSURANCE COMMISSIONS, UNEARNED PREMIUMS AND OUTSTANDING CLAIMS

a. Deferred policy acquisition costs

	2015	2014
Balance, January 1	**17,475**	16,707
Incurred during the year	**71,284**	52,432
Amortized during the year	**(70,070)**	(51,664)
Balance, December 31	**18,689**	17,475

b. Deferred reinsurance commission

	2015	2014
Balance, January 1	**4,831**	5,097
Commission received during the year	**19,125**	16,854
Commission earned during the year	**(17,472)**	(17,120)
Balance, December 31	**6,484**	4,831

c. Unearned premiums

	2015			2014		
	Gross	**Reinsurers' Share**	**Net**	Gross	Reinsurers' Share	Net
Unearned premiums	**293,456**	**(43,382)**	**250,074**	279,550	(35,073)	244,477

The movement in the unearned premiums, and the related reinsurers' share, are as follows:

	2015			2014		
	Gross	**Reinsurers' Share**	**Net**	Gross	Reinsurers' Share	Net
At January 1	**279,550**	**(35,073)**	**244,477**	210,840	(27,188)	183,652
Premiums written	**1,128,176**	**(126,156)**	**1,002,020**	1,040,111	(128,619)	911,492
Premiums earned	**(1,114,270)**	**117,847**	**(996,423)**	(971,401)	120,734	(850,667)
At December 31	**293,456**	**(43,382)**	**250,074**	279,550	(35,073)	244,477

Expressed in thousand Saudi Riyals unless otherwise stated

9. MOVEMENT IN DEFERRED POLICY ACQUISITION COSTS, DEFERRED REINSURANCE COMMISSIONS, UNEARNED PREMIUMS AND OUTSTANDING CLAIMS (CONTINUED)

d. Outstanding claims

	2015			2014		
	Gross	**Reinsurers' Share**	**Net**	Gross	Reinsurers' Share	Net
At January 1						
Claims outstanding	**258,938**	**(138,280)**	**120,658**	154,587	(60,413)	94,174
Claims incurred but not reported	**220,668**	**(3,249)**	**217,419**	158,195	(2,391)	155,804
	479,606	**(141,529)**	**338,077**	312,782	(62,804)	249,978
Claims paid during the year	**(884,651)**	**75,242**	***(809,409)**	(703,635)	78,204	*(625,431)
Claims incurred during the year	**863,594**	**(36,350)**	*** 827,244**	870,459	(156,929)	*713,530
At December 31	**458,549**	**(102,637)**	**355,912**	479,606	(141,529)	338,077
At December 31						
Claims outstanding	**182,623**	**(97,819)**	**84,804**	258,938	(138,280)	120,658
Claims incurred but not reported	**275,926**	**(4,818)**	**271,108**	220,668	(3,249)	217,419
Total claims	**458,549**	**(102,637)**	**355,912**	479,606	(141,529)	338,077

* Changes in outstanding claims for the year is Saudi Riyals Thousands 17,835 (2014: 88,099)

10. STATUTORY DEPOSIT

In accordance with the Implementing Regulations for Insurance Companies (the "Regulations"), 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.

Expressed in thousand Saudi Riyals unless otherwise stated

11. FURNITURE, FIXTURES AND EQUIPMENT

	Furniture and fixtures	**Equipment**	**Total**
2015			
Cost			
January 1, 2015	**5,945**	**6,837**	**12,782**
Additions	**1,499**	**2,626**	**4,125**
Disposals	**(46)**	**-**	**(46)**
December 31, 2015	**7,398**	**9,463**	**16,861**
Accumulated depreciation			
January 1, 2015	**(3,986)**	**(4,332)**	**(8,318)**
Charge during the year	**(888)**	**(1,446)**	**(2,334)**
Disposals	**46**	**-**	**46**
December 31, 2015	**(4,828)**	**(5,778)**	**(10,606)**
Net book value			
December 31, 2015	**2,570**	**3,685**	**6,255**

	Furniture and fixtures	Equipment	Total
2014			
Cost			
January 1, 2014	5,168	6,022	11,190
Additions	792	815	1,607
Disposals	(15)	-	(15)
December 31, 2014	5,945	6,837	12,782
Accumulated depreciation			
January 1, 2014	(3,102)	(3,655)	(6,757)
Charge during the year	(899)	(677)	(1,576)
Disposals	15	-	15
December 31, 2014	(3,986)	(4,332)	(8,318)
Net book value			
December 31, 2014	1,959	2,505	4,464

Expressed in thousand Saudi Riyals unless otherwise stated

12. ACCRUED AND OTHER LIABILITIES

	2015	2014
Insurance operations:		
Accrued salaries	**17,943**	14,731
Commission payable	**10,878**	22,494
Regulators' fee	**4,207**	4,943
Unclaimed cheques	**20,550**	11,064
Payable to vendors	**39,298**	31,296
Other	**2,405**	1,205
	95,281	85,733
Shareholders' operations:		
Directors' fees	**1,020**	1,020
Other	**1,070**	1,714
	2,090	2,734

13. EMPLOYEE END OF SERVICE BENEFITS

	2015	2014
Balance, January 1	**17,380**	16,495
Payments	**(1,702)**	(1,753)
Charge for the year	**4,758**	2,638
Balance, December 31	**20,436**	17,380

14. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Transactions with related parties included in the statement of income – insurance operations and accumulated surplus / shareholders' oprations are as follows:

a) Related party transactions

	2015	2014
Gross premiums written*	**26,835**	24,467
Net claims paid*	**10,137**	8,382
Reinsurance ceded*	**59,587**	73,540
Reinsurers' share of gross claims paid*	**42,024**	45,666
Reinsurance commissions*	**6,124**	8,007
Expenses charged by related parties*	**2,032**	1,991
Remuneration of directors	**1,136**	1,217
Contributions to pension fund	**688**	640

* These transactions are with affiliated parties.

Expressed in thousand Saudi Riyals unless otherwise stated

14. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2015	2014
Key management personnel	**6,635**	6,142
Directors	**1,136**	1,217
	7,771	7,359

The transactions with related parties are carried out at commercial terms and conditions and compensation to key management personnel is on employment terms.

c) Related party balances

i) Premiums and reinsurance balances receivable

	2015	2014
Receivable from policy holders	**1,926**	1,482
Receivable from reinsurers	**10,491**	5,076
	12,417	6,558
Provision for doubtful debts	**(1,531)**	(313)
Total	**10,886**	6,245

Movement in provision for doubtful debts is as follows:

	2015	2014
Balance, beginning of the year	**313**	972
Charged / (reversals) during the year	**1,777**	(659)
Balance, end of the year	**2,090**	313

Ageing of receivables from insurance and reinsurance contracts is as follows:

	Total	**Neither past due nor impaired**	**Past due but not impaired**		
			91 to 180 days	**181 to 360 days**	**More than 360 days**
December 31, 2015	**17,102**	**444**	**11,663**	**4,517**	**478**
December 31, 2014	6,245	2,884	1,799	-	1,562

ii) Receivable from related parties

Receivable from related parties represents net balance resulted from intercompany transactions.

iii) Due to related parties

Due to related parties represents net balance resulted from intercompany transactions.

Expressed in thousand Saudi Riyals unless otherwise stated

15. INSURANCE OPERATIONS' ACCUMULATED SURPLUS

In accordance with the Regulations issued by SAMA, 90% of the insurance operations' surplus for each year is required to be transferred to the shareholders' income.

16. ZAKAT AND INCOME TAX MATTERS

Provision for zakat has been made at 2.5% of the higher of approximate zakat base and adjusted net income / loss 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.

16.1 Components of zakat base

	2015	2014
Shareholders' equity at beginning of year	**207,144**	191,375
Provisions at beginning of year	**39,360**	34,725
Adjusted net income	**33,035**	28,755
Investments	**(135,000)**	(135,000)
Deposits	**(123,750)**	(83,750)
Other	**-**	886
Approximate zakat base	**20,789**	36,991

16.2 Movement in provision for zakat and income tax as at December 31, 2015 and 2014 is as follows:

2015	**Zakat**	**Income tax**	**Total**
Balance, January 1	**2,883**	**1,956**	**4,839**
Payments	**(557)**	**(4,024)**	**(4,581)**
Provision for the year	**4,555**	**2,245**	**6,800**
Balance, December 31	**6,881**	**177**	**7,058**

2014	Zakat	Income tax	Total
Balance, January 1	4,021	1,424	5,445
Payments	(1,623)	(1,424)	(3,047)
Provision for the year	485	1,956	2,441
Balance, December 31	2,883	1,956	4,839

Deferred income taxes arising out of the temporary differences were not significant and, accordingly, were not recognised as of December 31, 2015 and 2014.

16.3 Status of zakat and income tax assessment

The Company has filed revised zakat and tax returns for the years from 2009 to 2012 to reflect the effect of the portfolio transfer and has received provisional zakat certificates from the year 2009 to 2014. During the year ended December 31, 2014, the Department of Zakat and Income Tax ("DZIT") had issued assessments for the years from 2009 to 2012 amounting to Saudi Riyals 11.6 million, which was subsequently reduced to Saudi Riyals 8.5 million. The Company has filed an appeal against the assessment of DZIT for additional demand arising out of various disallowances from years 2009 to 2012 with Preliminary Appeal Committee and the additional liability was further reduced to 4.87 million. The Company has filed an appeal with Higher Appeal Committee against this additional liability.

Expressed in thousand Saudi Riyals unless otherwise stated

17. SHARE CAPITAL

	2015	2014
Authorized		
450,000,000 (2014: 20,000,000) shares of Saudi Riyals 10 each	**450,000**	200,000
Allotted, issued and fully paid		
450,000,000 shares of Saudi Riyals 10 each	**450,000**	200,000

The shares of the Company are owned as follows:

Shareholder	**Shareholding percentage**	
	2015	2014
Held by public	**50**	50
AXA Mediterranean	**18**	18
AXA Insurance (Gulf) B.S.C. (c)	**32**	32
	100	100

The authorized, issued and paid up share capital of the Company is Saudi Riyals 450 million at December 31, 2015 consisting of 45 million shares of Saudi Riyals 10 each (December 31, 2014: Saudi Riyals 200 million, consisting of 20 million shares of Saudi Riyals 10 each).

The Board of Directors in their meeting held on September 27, 2012 (corresponding to 7 Sha'ban 1433H) proposed to increase the share capital by Saudi Riyals 250 million. On April 23, 2014 (corresponding to 23 Jumada II 1435H), the Company has received an approval from SAMA for increasing its share capital by way of issuance of right shares to its existing shareholders. The Company also received an approval from the Capital Market Authority (CMA) on November 26, 2014 (corresponding to 4 Safar, 1436H) to proceed with the rights issue. The shareholders approved the rights issue in their General Assembly meeting held on February 10, 2015 (corresponding to 21 Rabi II 1436H).The rights issue process was completed on March 11, 2015 when the Company announced on Tadawal its completion of its rights issue process.

As a result of rights issue during the twelve-month period ended December 31, 2015, the share capital of the Company has increased to Saudi Riyals 450 million comprising of 45 million issued and paid up shares of Saudi Riyals 10 each.

Expressed in thousand Saudi Riyals unless otherwise stated

18. STATUTORY RESERVE

In accordance with the law, the Company is required to transfer not less than 20% of its annual net income, after deducting accumulated losses, to a statutory reserve until such reserve amounts to 100% of the paid up share capital of the Company. This reserve is not available for distribution to the shareholders until the liquidation of the Company.

19. INVESTMENT INCOME , NET

	2015	2014
Insurance operations:		
Commission income	**8,057**	7,719
Dividends	**356**	335
Realized gains / (losses)	**10**	(317)
Other	**(74)**	(163)
	8,349	7,574
Shareholders' operations:		
Commission income	**8,889**	6,343
Dividends	**835**	650
Realized gains	**1,518**	1,394
Impairment (Note 7)	**(3,499)**	(238)
Other	**(125)**	(99)
	7,618	8,050

20. GENERAL AND ADMINISTRATIVE EXPENSES

	2015	2014
Insurance operations:		
Staff costs *	**62,470**	55,528
Legal and professional fees	**5,623**	5,861
Information technology	**8,323**	8,044
Business travel	**1,978**	2,479
Printing and stationary	**614**	622
Provision for doubtful debts (Note 6)	**440**	3,750
Regulators' fees	**9,099**	8,686
Depreciation (Note 6)	**2,334**	1,576
Other	**9,740**	10,935
	100,621	97,481
Shareholders' operations:		
Directors' fees and other expenses	**1,136**	1,217
Other	**505**	204
	1,641	1,421

* The staff cost includes provision of 2015 : Saudi Riyals 4.76 Million (2014: Saudi Riyals 2.64 Millions) in respect of employee end of service benefits (Note 13).

21. RISK MANAGEMENT

21.1 Risk governance

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organisational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and strategic plan approved by the Board 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

The Internal Audit Department performs risk assessments with senior management annually. The Internal Audit Department examines both adequacy of procedures and the Company's compliance with the procedures through regular audits. Audit Findings and recommendations are reported 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:

21.2 Insurance risk management

The principal risk the Company faces under insurance contracts is that the actual claim payments or the timing thereof, differs 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.

21. RISK MANAGEMENT (CONTINUED)

21.2 Insurance risk management (continued)

a. Accident, liability and motor

The accident category includes personal accident, money insurance, business all risk insurance and business travel insurance. Liability insurance includes general third-party liability, product liability and workmen's compensation/employer's liability protection arising out of acts of negligence during their business operations.

Motor insurance is designed to compensate policyholders for damage suffered to their vehicles or liability to third parties arising through accidents. Policyholders could also receive compensation for fire damage or theft of their vehicles.

For accident, liability and motor policies the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Company has well developed risk acceptance procedures based on critical underwriting factors such as driver's age, diving experience and nature of vehicle to control the quality of risks that it accepts. It also has risk management procedures in place to control the costs of claims.

b. Property

Property insurance is designed to compensate policyholders for damage suffered to properties or for the value of property lost. Policyholders could also receive compensation for the loss of earnings caused by the inability to use the insured properties.

Significant risks underwritten by the Company under this class are physically inspected by qualified risk engineers to make sure adequate fire protection and security is in place. Also, the Company tracks for the potential of risk accumulation.

c. Marine

Marine insurance solutions are mainly designed to compensate policyholders from accidents at sea, on land and in the air resulting in the total or partial loss to goods and/or merchandise (cargo insurance).

The underwriting strategy for the marine class of business is to ensure that coverage is provided based on the quality of vessels used and shipping routes followed. Vessel details are validated through international agencies while making the underwriting decisions.

d. Engineering

Engineering covers two principal types as summarized below:

(i) "Contractors all risk" insurance offering cover during erection or construction of buildings or civil engineering works such as houses, shops, blocks of flats, factory buildings, roads, buildings, roads, bridges, sewage works and reservoirs; and

(ii) "Erection all risk" insurance offering cover during the erection or installation of plant and machinery such as power stations, oil refineries, chemical works, cement works, metallic structures or any factory with plant and machinery.

The Engineering line of business also includes machinery breakdown insurance and electronic equipment insurance.

Significant risks underwritten by the Company under this class are physically inspected to make sure adequate fire protection, security and project management is in place.

21. RISK MANAGEMENT (CONTINUED)

21.2 Insurance risk management (continued)

e. Health and protection

Health insurance is designed to cover the medical expenses incurred as a result of a disease or an illness or an injury. The policy seeks to provide the policyholder and their employees with access to good medical facilities and the latest treatments and technologies, subject to the terms of the relevant policy and the policyholders' personal circumstances.

Protection insurance covers the risks of death or disability following accident or illnesses and compensates the member or dependents in event of loss.

The main risk the Company faces on health and protection insurance is an increase of medical costs which can be more than expected or increase in claims due to exceptional events like outbreak of pandemic diseases. The underwriting strategy includes management of exposures and concentrations within acceptable risk appetite and risk tolerance levels and optimization of reinsurance strategies through a combination of reinsurance cession with approved and well-rated reinsurers and retrocession arrangements. The Company's centralized claims management platform controls and manages its medical insurance claims.

21.3 Reinsurance risk

Similar to other insurance companies, in order to minimise 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, 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.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers. The Company only deals with reinsurers approved by the Board of Directors of the Company. The criteria may be summarized as follows:

a) Minimum acceptable credit rating by agencies that is not lower than prescribed in the Regulations;
b) Reputation of particular reinsurance companies; and
c) Existing or past business relationships.

Furthermore, the financial strengths and managerial and technical expertise as well as historical performance, wherever applicable, are thoroughly reviewed by the Company before placement of reinsurance.

21.4 Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like political violence, environmental and economical, atmospheric disturbances, natural disasters, concentration of risks, civil riots etc. The Company manages these risk through the measures described above. The Company has limited its exposure to catastrophic and riot events by use of reinsurance arrangements.

Expressed in thousand Saudi Riyals unless otherwise stated

21. RISK MANAGEMENT (CONTINUED)

21.4 Frequency and severity of claims (continued)

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 statement of financial position date:

	2015				2014			
	Gross outstanding claims	**Net outstanding claims**	**Gross unearned premiums**	**Net unearned premiums**	Gross outstanding claims	Net outstanding claims	Gross unearned premiums	Net unearned premiums
Accident and liability	**4%**	**5%**	**4%**	**4%**	1%	1%	5%	4%
Motor	**32%**	**42%**	**22%**	**26%**	34%	49%	16%	18%
Property	**16%**	**9%**	**12%**	**4%**	25%	8%	10%	3%
Marine	**18%**	**8%**	**2%**	**1%**	11%	3%	3%	2%
Engineering	**7%**	**7%**	**9%**	**6%**	4%	4%	6%	4%
Other general insurance	**-**	**-**	**-**	**-**	-	-	-	-
Health	**20%**	**25%**	**49%**	**57%**	22%	31%	58%	66%
Protection	**3%**	**4%**	**2%**	**2%**	3%	4%	2%	3%
	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.

21.5 Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the statement of financial position date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the statement of financial position date. The details of estimation of outstanding claims (including IBNR) are given under notes 3 and 9 (d).

21.6 Process used to decide on assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available.

Expressed in thousand Saudi Riyals unless otherwise stated

21. RISK MANAGEMENT (CONTINUED)

21.6 Process used to decide on assumptions (continued)

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of s date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

21.7 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.

Impact of increase in 10% on shareholders' net income and equity is as follows

	Shareholders' net income		**Shareholders' equity**	
	2015	2014	**2015**	2014
Accident and Liability	**(1,477)**	(400)	**(1,393)**	(377)
Motor	**(13,213)**	(14,890)	**(12,467)**	(14,049)
Property	**(2,709)**	(2,511)	**(2,556)**	(2,369)
Marine	**(2,446)**	(1,000)	**(2,307)**	(943)
Engineering	**(2,217)**	(1,265)	**(2,091)**	(1,194)
Other general insurance	**(8)**	(20)	**(8)**	(19)
Health	**(8,526)**	(9,553)	**(8,044)**	(9,013)
Protection	**(1,189)**	(789)	**(1,122)**	(745)
	(31,785)	(30,428)	**(29,988)**	(28,708)

A decrease of 10% would have equal but opposite effect on shareholders' net income and equity

	Shareholders' net income		**Shareholders' equity**	
	2015	2014	**2015**	2014
Accident and Liability	**1,477**	400	**1,393**	377
Motor	**13,213**	14,890	**12,467**	14,049
Property	**2,709**	2,511	**2,556**	2,369
Marine	**2,446**	1,000	**2,307**	943
Engineering	**2,217**	1,265	**2,091**	1,194
Other general insurance	**8**	20	**8**	19
Health	**8,526**	9,553	**8,044**	9,013
Protection	**1,189**	789	**1,122**	745
	31,785	30,428	**29,988**	28,708

Expressed in thousand Saudi Riyals unless otherwise stated

21. RISK MANAGEMENT (CONTINUED)

21.8 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	**2011**	**2012**	**2013**	**2014**	**2015**	**Total**
At end of reporting year	**346,807**	**340,536**	**485,490**	**668,693**	**636,017**	**2,477,543**
One year later	**350,942**	**357,461**	**625,419**	**817,225**	-	**2,151,047**
Two years later	**349,900**	**353,323**	**624,715**	-	-	**1,327,938**
Three years later	**350,021**	**353,418**	-	-	-	**703,439**
Four years later	**350,530**	-	-	-	-	**350,530**
Five years later	-	-	-	-	-	-
Current estimate of cumulative claims	**350,530**	**353,418**	**624,715**	**817,225**	**636,017**	**2,781,905**
Cumulative payment to date	**(350,248)**	**(351,496)**	**(612,527)**	**(741,176)**	**(544,253)**	**(2,599,700)**
Liability recognized till date	**282**	**1,922**	**12,188**	**76,049**	**91,764**	**182,205**
Reserve with respect to 2010						**418**
Claim incurred but not reported						**275,926**
Total reserve						**458,549**

21.9 Regulatory framework risk

The operations of the Company are subject to regulatory requirements in Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimise the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise. In management's opinion, the Company has substantially complied with such regulatory requirements.

21.10 Financial risk

The Company's principal financial assets and liabilities are cash and cash equivalents, available-for-sale investment, statutory deposit, premium and insurance balances receivable, receivable from a related party and accrued and other liabilities.

The main risks arising from the Company's financial instruments are commission rate risk, credit risk, liquidity risk and market price risks. The audit committee appointed by the Board of Directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below:

Expressed in thousand Saudi Riyals unless otherwise stated

21. RISK MANAGEMENT (CONTINUED)

21.10 Financial risk (continued)

i. Commission rate risk

Commission rate risk arises from the possibility that changes in commission rates may affect future profitability or the fair values of financial instruments. The Company is exposed to commission rate risk on its time deposits, short-term deposit, long-term deposits, available-for-sale and held-to-maturity investments. The Company limits commission rate risk by monitoring changes in commission rates. The Company does not have any interest bearing liabilities.

Effective commission rates of the Company's investments and their maturities as at December 31, 2015 and 2014 are as follows:

2015	Commission bearing				
	Less than 1 year	1 to 5 years	More than 5 years	Effective rate of commission	Total
Insurance operations					
Loans and receivables					
Cash and cash equivalents	44,286	-	-	0.49%	44,286
Short term deposits	259,910	-	-	1.55%	259,910
Long-term deposit	-	7,500	-	2.00%	7,500
	304,196	7,500	-		311,696
Available-for-sale investments	70,175	-	-	3.45%	70,175
Held-to-maturity investments	-	-	75,000	3.34%	75,000
December 31, 2015	374,371	7,500	75,000		456,871
Shareholders' operations					
Loans and receivables					
Cash and cash equivalents	146,459	-	-	0.46%	146,459
Short-term deposits	105,360	-	-	1.26%	105,360
Long-term deposits	-	71,250	-	2.52%	71,250
Statutory deposit	-	45,000	-	0.88%	45,000
	251,819	116,250	-		368,069
Available-for-sale investments	105,385	-	-	3.61%	105,385
Held-to-maturity investments	-	-	60,000	3.21%	60,000
December 31, 2015	357,204	116,250	60,000		533,454

Expressed in thousand Saudi Riyals unless otherwise stated

21. RISK MANAGEMENT (CONTINUED)

21.10 Financial risk (continued)

i. Commission rate risk (continued)

2014	Commission bearing				
	Less than 1 year	1 to 5 years	More than 5 years	Effective rate of commission	Total
Insurance operations					
Loans and receivables					
Cash and cash equivalents	188,876	-	-	0.87%	188,876
Short term deposits	168,299	-	-	1.52%	168,299
Long-term deposit	-	7,500	-	2.00%	7,500
	357,175	7,500	-		364,675
Available-for-sale investments	59,270	-	-	3.45%	59,270
Held-to-maturity investments	-	-	75,000	3.34%	75,000
December 31, 2014	416,445	7,500	75,000		498,945
Shareholders' operations					
Loans and receivables					
Cash and cash equivalents	10,636	-	-	0.40%	10,636
Short-term deposits	20,000	-	-	1.95%	20,000
Long-term deposits	-	56,250	-	2.41%	56,250
Statutory deposit	20,000	-	-	0.75%	20,000
	50,636	56,250	-		106,886
Available-for-sale investments	74,822	-	-	3.70%	74,822
Held-to-maturity investments	-	-	60,000	3.21%	60,000
December 31, 2014	125,458	56,250	60,000		241,708

There is no significant difference between contractual re-pricing and maturity dates.

The following table demonstrates the sensitivity of statements of comprehensive income - shareholders' operations and statement of changes in shareholders' equity to reasonably possible change in commission rates of the Company's deposits, with all other variables held constant:

Currency	**Change in variable**	**Impact on net income**	
		2015	2014
Saudi Riyals	+50 basis points	**5,116**	3,880
Saudi Riyals	-50 basis points	**(5,116)**	(3,880)

Expressed in thousand Saudi Riyals unless otherwise stated

21. RISK MANAGEMENT (CONTINUED)

21.10 Financial risk (continued)

ii. Credit risk

Credit risk is the risk that one party to a financial instrument may fail to discharge an obligation and cause the other party to incur a financial loss.

The Company only enters into insurance and reinsurance contracts with recognised and credit worthy parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an on-going basis in order to reduce the Company's exposure to bad debts. The Company limits its credit risk with regard to time deposits by dealing with reputed banks only.

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

The Company maintains its bank balances, short term and long term investments with banks which have investment grade credit ratings.

Maximum exposure to credit risk

The Company's maximum exposure to credit risk on its financial assets at December 31, 2015 is Saudi Riyals 1,278 million (December 31, 2014: Saudi Riyals 1,069 million).

The table below shows the components of the statement of financial position of the Company at December 31, 2015 and 2014 exposed to credit risk:

	2015	
	Insurance operations	**Shareholders' operations**
Fixed-rate securities	**75,000**	**60,000**
Floating-rate securities	**70,175**	**105,385**
Equities and mutual funds	**14,833**	**17,953**
Others - non interest bearing	**690,742**	**371,240**
Total	**850,750**	**554,578**

	2014	
	Insurance operations	Shareholders' operations
Fixed-rate securities	75,000	60,000
Floating-rate securities	59,270	74,822
Equities and mutual funds	15,184	20,247
Others – non interest bearing	704,419	111,120
Total	853,873	266,189

Expressed in thousand Saudi Riyals unless otherwise stated

21. RISK MANAGEMENT (CONTINUED)

21.10 Financial risk (continued)

ii. Credit risk (continued)

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' financial assets as at December 31, 2015

	Investment grade	Non-Investment grade: Satisfactory	Non-Investment grade: Past due but not impaired	Total
Fixed-rate securities	75,000	-	-	75,000
Floating-rate securities	70,175	-	-	70,175
Equities and mutual funds	14,833	-	-	14,833
Others – non interest bearing	-	623,974	66,768	690,742
	160,008	623,974	66,768	850,750

Shareholders' operations' financial assets as at December 31, 2015

	Investment grade	Non-Investment grade: Satisfactory	Non-Investment grade: Past due but not impaired	Total
Fixed-rate securities	60,000	-	-	60,000
Floating-rate securities	105,385	-	-	105,385
Equities and mutual funds	17,953	-	-	17,953
Others – non interest bearing	-	371,240	-	371,240
	183,338	371,240	-	554,578

Insurance operations' financial assets as at December 31, 2014

	Investment grade	Non-Investment grade: Satisfactory	Non-Investment grade: Past due but not impaired	Total
Fixed-rate securities	75,000	-	-	75,000
Floating-rate securities	59,270	-	-	59,270
Equities and mutual funds	15,184	-	-	15,184
Others – non interest bearing	-	648,634	55,785	704,419
	149,454	648,634	55,785	853,873

Expressed in thousand Saudi Riyals unless otherwise stated

21. RISK MANAGEMENT (CONTINUED)

21.10 Financial risk (continued)

ii. Credit risk (continued)

Shareholders' operations' financial assets as at December 31, 2015

		Non-Investment grade		
	Investment grade	Satisfactory	Past due but not impaired	Total
Fixed-rate securities	60,000	-	-	60,000
Floating-rate securities	74,822	-	-	74,822
Equities and mutual funds	20,247	-	-	20,247
Others – non interest bearing	-	111,120	-	111,120
	155,069	111,120	-	266,189

iii. Credit quality of investments

	Insurance operations	Shareholders' operations
A and above	280,157	507,479
B	174,660	13,064
Not rated but considered satisfactory	7,000	33,953
	461,817	554,496

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

iv. Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that an enterprise may encounter difficulty in raising funds to meet commitments associated with insurance contracts. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Management monitors liquidity requirements on a regular basis and ensures that sufficient funds are available to meet any commitments as they arise. The Company has sufficient liquidity and, therefore, does not resort to borrowings in the normal course of business.

Substantially all the financial liabilities of the Company are due within one year of the date of the statement of financial position.

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21. RISK MANAGEMENT (CONTINUED)

21.10 Financial risk (continued)

iv. Liquidity risk (continued)

The table below summarizes the maturities of the Company's undiscounted contractual obligations at December 31, 2015 and 2014. As the Company does not have any commission bearing liabilities, contractual cash flows of financial liabilities approximate their carrying value:

	Less than 12 months		More than 12 months		Total	Total
	2015	2014	**2015**	2014	**2015**	2014
Insurance operations' liabilities – amortized cost						
Reinsurers' balances Payable	**42,775**	42,723	-	-	**42,775**	42,723
Outstanding claims	**458,549**	479,606	-	-	**458,549**	479,606
Accrued and other liabilities	**95,281**	85,733	-	-	**95,281**	85,733
Employee end of service Benefits	-	-	**20,436**	17,380	**20,436**	17,380
Due to related Parties	**100**	-	-	-	**100**	-
	596,705	608,062	**20,436**	17,380	**617,141**	625,442
Shareholders' liabilities– amortized cost						
Accrued and other liabilities	**2,090**	2,734	-	-	**2,090**	2,734
	598,795	610,796	**20,436**	17,380	**619,231**	628,176

Maturity Profiles

The table below summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining contractual obligations. For insurance contract liabilities maturity profiles are determined based on the estimated timing of net cash outflows from the recognised insurance liabilities. The amount disclosed are the contractual undiscounted cash flows which equal their carrying balances as the impact of discounting is not significant.

	31 December 2015					
	Insurance operations			*Shareholders' operations*		
	Less than one year	*More than one year*	*Total*	*Less than one year*	*More than one year*	*Total*
FINANCIAL ASSETS						
Cash and cash equivalents	44,286	-	44,286	146,459	-	146,459
Short-term deposits	259,910	-	259,910	105,360	-	105,360
Premiums and insurance balances receivable - net	141,294	-	141,294	-	-	-
Reinsurers' share of outstanding claims	102,637	-	102,637	-	-	-
Other assets	8,146	-	8,146	3,171	-	3,171
Due from shareholders	126,969	-	126,969	-	-	-
Long-term deposit	-	7,500	7,500	-	71,250	71,250
Statutory deposit	-	-	-	-	45,000	45,000
Available-for-sale investments	85,008	-	85,008	123,338	-	123,338
Held-to-maturity investments	-	75,000	75,000	-	60,000	60,000
	768,250	**82,500**	**850,750**	**378,328**	**176,250**	**554,578**

Expressed in thousand Saudi Riyals unless otherwise stated

21. RISK MANAGEMENT (CONTINUED)

21.10 Financial risk (continued)

iv. Liquidity risk (continued)

	31 December 2015					
	Insurance operations			*Shareholders' operations*		
	Less than one year	*More than one year*	*Total*	*Less than one year*	*More than one year*	*Total*
FINANCIAL LIABILITIES						
Reinsurers' balances payable	42,775	-	42,775	-	-	-
Outstanding claims	182,623	-	182,623	-	-	-
Claims incurred but not reported and other reserve	275,926	-	275,926	-	-	-
Accrued and other liabilities	95,281	-	95,281	2,090	-	2,090
Accrued zakat and income tax	-	-	-	7,058	-	7,058
Due to insurance operations	-	-	-	126,969	-	126,969
Due to related parties	100	-	100	-	-	-
Employee end of service benefits	-	20,436	20,436	-	-	-
	596,705	**20,436**	**617,141**	**136,117**	-	**136,117**

	31 December 2014					
	Insurance operations			*Shareholders' operations*		
	Less than one year	*More than one year*	*Total*	*Less than one year*	*More than one year*	*Total*
FINANCIAL ASSETS						
Cash and cash equivalents	188,876	-	188,876	10,636	-	10,636
Short-term deposits	168,299	-	168,299	20,000	-	20,000
Premiums and insurance balances receivable - net	140,062	-	140,062	-	-	-
Reinsurers' share of outstanding claims	141,529	-	141,529	-	-	-
Receivable from related parties	236	-	236	-	-	-
Other assets	6,445	-	6,445	4,234	-	4,234
Due from shareholders	51,472	-	51,472	-	-	-
Long-term deposit	-	7,500	7,500	-	56,250	56,250
Statutory deposit	-	-	-	-	20,000	20,000
Available-for-sale investments	74,454	-	74,454	95,069	-	95,069
Held-to-maturity investments	-	75,000	75,000	-	60,000	60,000
	771,373	82,500	853,873	129,939	136,250	266,189

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21. RISK MANAGEMENT (CONTINUED)

21.10 Financial risk (continued)

iv. Liquidity risk (continued)

	31 December 2014					
	Insurance operations			*Shareholders' operations*		
	Less than one year	*More than one year*	*Total*	*Less than one year*	*More than one year*	*Total*
FINANCIAL LIABILITIES						
Reinsurers' balances payable	42,723	-	42,723	-	-	-
Outstanding claims	258,938	-	258,938	-	-	-
Claims incurred but not reported and other reserve	220,668	-	220,668	-	-	-
Deferred reinsurance commission	4,831	-	4,831	-	-	-
Accrued and other liabilities	85,733	-	85,733	2,734	-	2,734
Accrued zakat and income tax	-	-	-	4,839	-	4,839
Due to insurance operations	-	-	-	51,472	-	51,472
Employee end of service benefits	-	17,380	17,380	-		-
	612,893	17,380	630,273	59,045	-	59,045

v. Market price risk

Market price risk is the risk that the fair value of future cash flows of a financial instrument may fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company's financial instruments are not exposed to market risk. Market risk is limited by investing in companies with good credit rating. In addition, the key factors that affect market are monitored, including operational and financial performance of the Company.

a. Currency risk

The Company's exposure to foreign currency risk is limited to United States Dollars which is pegged against Saudi Riyals. Management believes that currency risk to the Company is not significant.

b. Price risk

Price risk is the risk that the value of a financial instrument may 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.

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21. RISK MANAGEMENT (CONTINUED)

v. Market price risk (continued)

b. Price risk (continued)

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 statement of income – insurance operation and accumulated surplus / shareholders' operation will be impacted.

The Company's all the available for sales investments are susceptible to market price risk arising from uncertainty about the future value of investment securities. The Company limits market risk by diversifying its equity investment portfolio and by actively monitoring the developments in equity and money markets.

The impact of a hypothetical change of a 10% increase and 10% decrease in the market prices of investments on Company's profits and equity would be as follows:

	Fair value	Price change	Estimated fair value	Effect on shareholders' equity
December 31, 2015	**32,786**	**10% increase**	**36,065**	**3,279**
		10% decrease	**29,508**	**(3,279)**
December 31, 2014	35,431	10% increase	38,974	3,543
		10% decrease	31,888	(3,543)

21.11 Capital risk management

The Company's objectives when managing capital are:

- To comply with the insurance capital requirements as set out in the Law. The Company's current paid-up share capital is in accordance with Article 3 of the Law;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

As per Article 66 of the Regulations, the Company shall maintain solvency margin equivalent to the highest of the following three methods:

- Minimum capital requirement of Saudi Riyals 200 million
- Premium solvency margin
- Claims solvency margin

The Company's solvency margin at December 31, 2015 is 176% (2014: 75%) of the required margin of solvency.

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21. RISK MANAGEMENT (CONTINUED)

21.12 Fair value of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair values of the Company's financial instruments are not materially different from their carrying values.

The Company's financial assets consist of cash and cash equivalents, premium and insurance balances receivables, investments, accrued income and financial liabilities consisting of payables and accrued expenses.

Determination of fair value and fair value hierarchy

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

Level 1: quoted prices in active markets for the identical assets or liabilities (i.e. without modification or repacking).

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

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

The table below presents the financial instruments which are fair valued as at December 31, 2015 and 2014 based on the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
2015				
Available-for-sale investments:				
Insurance operations	85,008	-	-	85,008
Shareholders' operations	123,338	-	-	123,338
2014				
Available-for-sale investments:				
Insurance operations	74,454	-	-	74,454
Shareholders' operations	95,069	-	-	95,069

Except as mentioned above, fair value of remaining financial assets and liabilities approximate their fair value.

Expressed in thousand Saudi Riyals unless otherwise stated

22. EARNINGS PER SHARE

Basic and diluted earnings per share at December 31, 2015 and 2014 has been computed by dividing the shareholders' net income for the year ended December 31, 2015 and 2014 by the weighted average number of shares outstanding during such periods.

The weighted average number of shares at December 31, 2015 and 2014 has been determined as follows:

	2015	2014
Weighted average number of shares outstanding before rights issue	**20,000,000**	20,000,000
Add: effects of rights issue	**23,711,825**	13,532,110
Weighted average number of shares outstanding after rights issue	**43,711,825**	33,532,110

Weighted average number of shares and earning per share for the year ended December 31, 2014 has been restated due to the effect of right issue during the period.

23. CONTINGENCIES AND COMMITMENTS

a. Zakat and income tax

For zakat and income tax related contingency, refer note 16.

b. Bank Guarantee

The Company has provided bank guarantee in favour of the Department of Zakat and Income Tax ("DZIT") of Saudi Riyals 4.87 million against the settlement of the tax and zakat from 2009 till 2012.

(All amounts expressed in thousand Saudi Riyals unless otherwise stated)

24. SEGMENT REPORTING

Insurance operations for the year ended December 31, 2015:

	General and medical									
2015	Accident and Liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Total	Protection	Grand Total
Gross premiums written	28,992	540,954	83,310	52,766	41,231	3,817	352,994	1,104,064	24,112	1,128,176
Less: reinsurance premiums ceded	(3,524)	(2,723)	(60,385)	(26,824)	(24,566)	(273)	(705)	(119,000)	(7,156)	(126,156)
Net premiums written	25,468	538,231	22,925	25,942	16,665	3,544	352,289	985,064	16,956	1,002,020
Changes in unearned premiums	(933)	(19,568)	(2,173)	1,117	(4,835)	(62)	19,405	(7,049)	1,452	(5,597)
Net premiums earned	24,535	518,663	20,752	27,059	11,830	3,482	371,694	978,015	18,408	996,423
Reinsurance commissions	661	34	7,268	6,910	1,462	0	92	16,427	1,045	17,472
Total revenue	25,196	518,697	28,020	33,969	13,292	3,482	371,786	994,442	19,453	1,013,895
Gross claims paid	1,649	457,238	74,370	11,102	7,705	124	319,230	871,418	13,233	884,651
Less: reinsurers' share	(70)	(27)	(64,564)	(4,576)	(1,423)	0	(1,414)	(72,074)	(3,168)	(75,242)
Net claims paid	1,579	457,211	9,806	6,526	6,282	124	317,816	799,344	10,065	809,409
Changes in outstanding claims	11,758	(18,628)	3,580	16,066	11,943	84	(11,407)	13,396	4,439	17,835
Net claims incurred	13,337	438,583	13,386	22,592	18,225	208	306,409	812,740	14,504	827,244
Policy acquisition costs	3,021	25,136	8,143	3,806	4,696	164	21,975	66,941	3,129	70,070
Operating and administrative salaries	1,538	32,517	1,301	1,696	742	218	23,303	61,315	1,155	62,470
Other general and administrative expenses	939	19,859	795	1,036	453	133	14,231	37,446	705	38,151
Total costs and expenses	18,835	516,095	23,625	29,130	24,116	723	365,918	978,442	19,493	997,935
Net underwriting result										15,960
Investment income										8,349
Net surplus from Insurance operations										24,309
Shareholders' appropriation of surplus from insurance operations										(21,878)
Net result from insurance operations' after appropriation of surplus										2,431

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24. SEGMENT REPORTING (CONTINUED)

Insurance operations for the year ended December 31, 2014:

	General and medical									
2014	Accident and Liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Total	Protection	Grand Total
Gross premiums written	30,762	461,902	75,754	52,504	33,591	2,954	355,934	1,013,401	26,710	1,040,111
Less: reinsurance premiums ceded	(5,914)	(1,524)	(65,614)	(25,720)	(18,741)	(220)	(4,371)	(122,104)	(6,515)	(128,619)
Net premiums written	24,848	460,378	10,140	26,784	14,850	2,734	351,563	891,297	20,195	911,492
Changes in unearned premiums	(4,513)	(21,191)	(1,440)	(880)	(3,219)	(95)	(27,728)	(59,066)	(1,759)	(60,825)
Net premiums earned	20,335	439,187	8,700	25,904	11,631	2,639	323,835	832,231	18,436	850,667
Reinsurance commissions	808	17	6,617	6,090	814	-	1,626	15,972	1,148	17,120
Total revenue	21,143	439,204	15,317	31,994	12,445	2,639	325,461	848,203	19,584	867,787
Gross claims paid	3,560	339,353	80,718	12,699	6,888	604	246,053	689,875	13,760	703,635
Less: reinsurers' share	(3)	(12)	(63,474)	(4,464)	(2,116)	-	(4,835)	(74,904)	(3,300)	(78,204)
Net claims paid	3,557	339,341	17,244	8,235	4,772	604	241,218	614,971	10,460	625,431
Changes in outstanding claims	(977)	48,678	7,273	6,220	(3,231)	(522)	26,689	84,130	3,969	88,099
Net claims incurred	2,580	388,019	24,517	14,455	1,541	82	267,907	699,101	14,429	713,530
Policy acquisition costs	2,632	10,352	8,297	3,877	2,409	143	21,948	49,658	2,006	51,664
Operating and administrative salaries	1,327	28,868	568	1,691	759	172	21,139	54,524	1,204	55,528
Other general and administrative expenses	1,003	21,660	429	1,278	574	130	15,971	41,045	908	41,953
Total costs and expenses	7,542	448,899	33,811	21,301	5,283	527	326,965	844,328	18,547	862,675
Net underwriting result										5,112
Investment income										7,574
Net surplus from Insurance operations										12,686
Shareholders' appropriation of surplus from insurance operations										(11,418)
Net result from insurance operations' after appropriation of surplus										1,268

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24. SEGMENT REPORTING (CONTINUED)

Insurance operations' financial position as of December 31, 2015:

	General and medical									
2015	Accident and liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Total	Protection	Grand Total
Insurance operations' assets										
Reinsurers' share of unearned premiums	1,029	4	25,247	2,766	13,443	-	98	42,587	795	43,382
Reinsurers' share of outstanding claims	48	4	40,673	53,658	6,756	-	552	101,691	946	102,637
Deferred policy acquisition costs	997	5,749	3,184	296	1,343	22	6,177	17,768	921	18,689
Unallocated assets	-	-	-	-	-	-	-	-	-	757,575
Total insurance operations' assets	-	-	-	-	-	-	-	-	-	922,283
Insurance operations' liabilities										
Unearned premiums	12,217	64,415	35,988	5,798	27,438	504	141,959	288,319	5,137	293,456
Outstanding claims	16,456	146,818	72,150	80,832	32,759	94	95,285	444,394	14,155	458,549
Deferred reinsurance commission	127	-	3,406	794	2,130	-	22	6,479	5	6,484
Unallocated liabilities										163,794
Total insurance operations' liabilities										922,283

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24. SEGMENT REPORTING (CONTINUED)

Insurance operations' financial position as of December 31, 2014:

	General and medical									
2014	Accident and liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Total	Protection	Grand Total
Insurance operations' assets										
Reinsurers' share of unearned premiums	2,387	21	22,000	3,189	6,747	-	-	34,344	729	35,073
Reinsurers' share of outstanding claims	467	4	91,715	42,367	4,938	(210)	1,708	140,989	540	141,529
Deferred policy acquisition costs	1,018	3,623	2,371	471	1,372	22	7,563	16,440	1,035	17,475
Unallocated assets										719,812
Total insurance operations' assets										913,889
Insurance operations' liabilities										
Unearned premiums	12,641	44,864	29,270	7,338	17,204	442	161,267	273,026	6,524	279,550
Outstanding claims	4,907	165,446	119,611	53,475	18,998	10	107,848	470,295	9,311	479,606
Deferred reinsurance commission	332	-	2,680	864	679	(24)	-	4,531	300	4,831
Unallocated liabilities										149,902
Total insurance operations' liabilities										913,889

25. COMPARATIVE FIGURES

Certain of the comparative year amounts have been reclassified to conform to the presentation in the current year, the effects of which are not material.

26. DATE OF APPROVAL

These financial statements were approved by the Company's Board of Directors on February 17, 2016 (corresponding to : 8 Jumada Al-Awal 1437H).