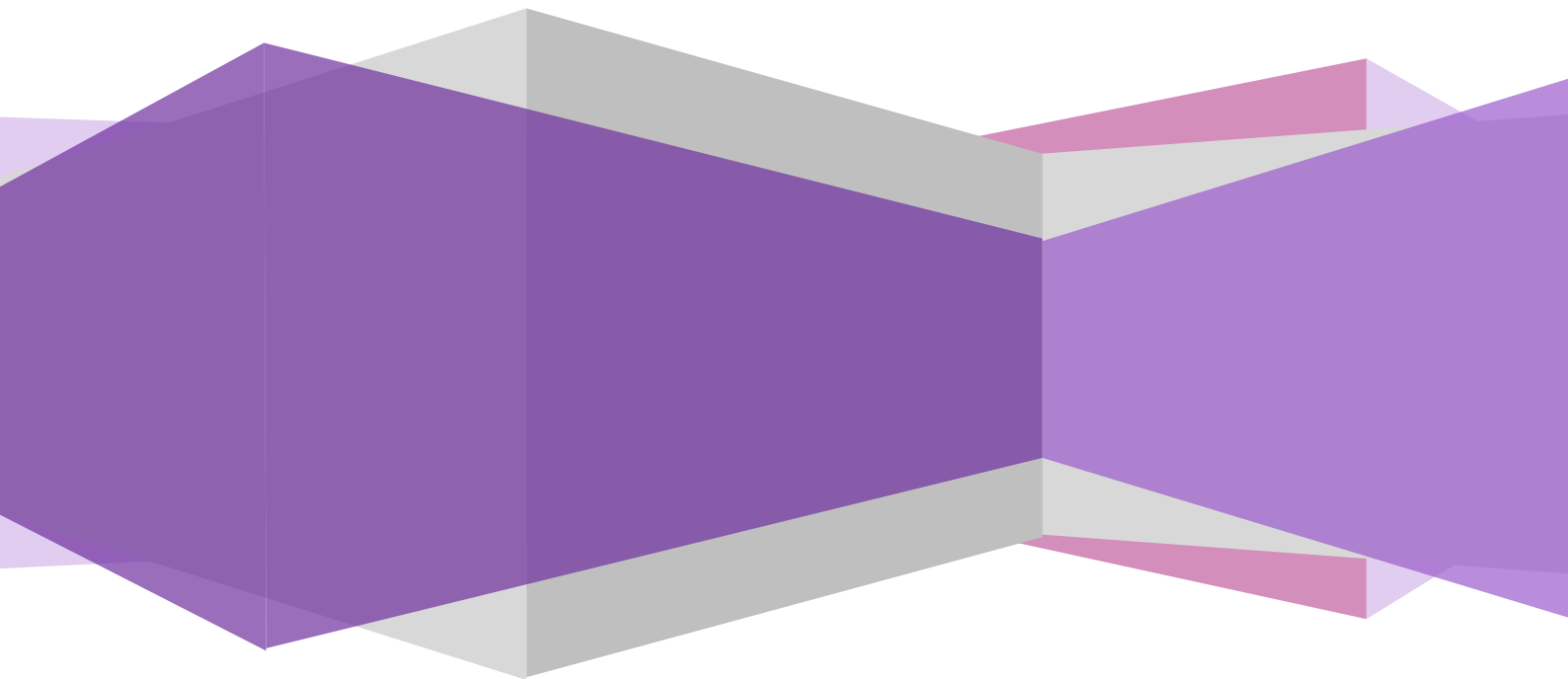




## Al Alamiya Board of Directors Report 2014

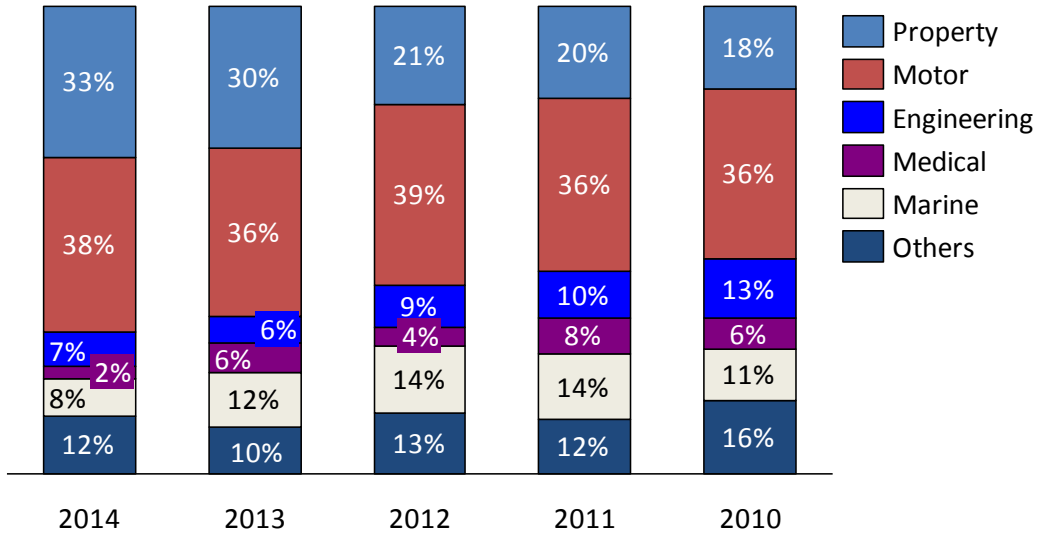




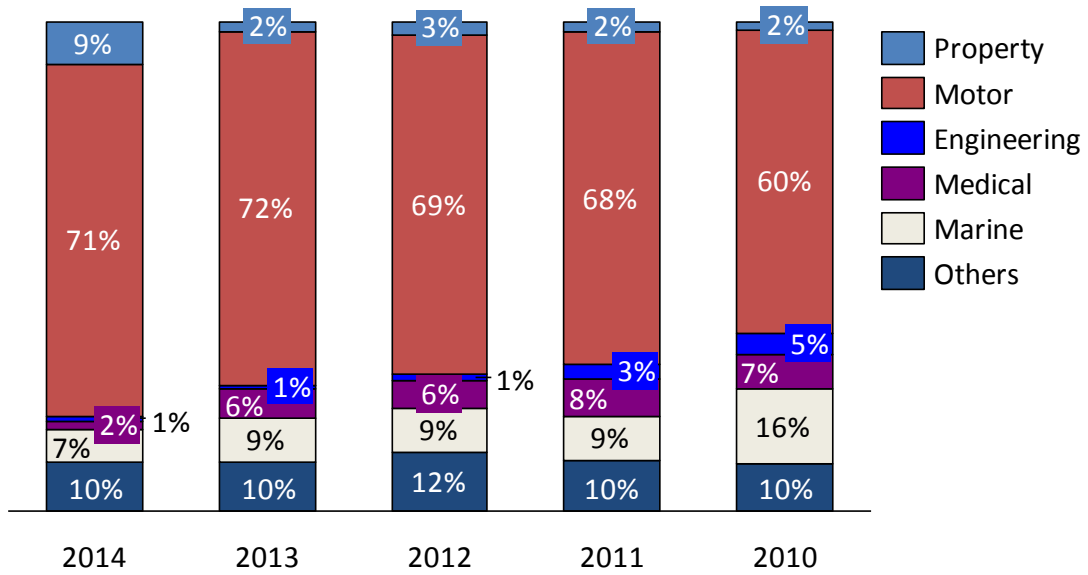
\*2010 includes the results of the operations of the Company from its inception (15-11-2009) up to 31-12-2010 G together with those associated with the portfolio transferred which was included with effect from 01-01-2009 G as set forth in SAMA guidelines in this respect.  
 \*\*Net Underwriting Result excludes the unallocated Other Underwriting Expenses.

### Lines of Business

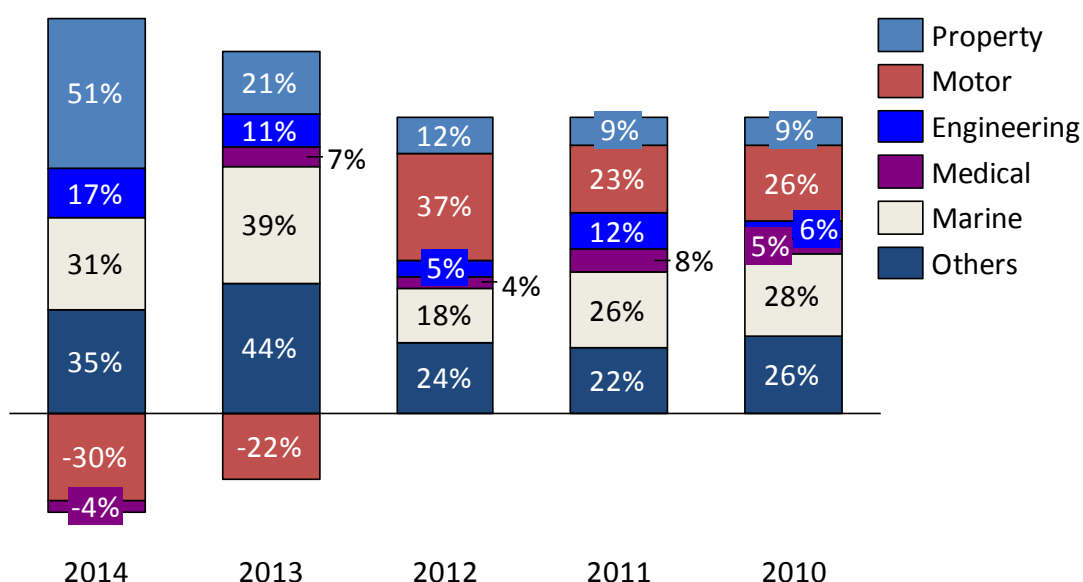
#### Gross Written Premiums



#### Net Written Premiums



## **\*\*Net U/W Result**



\*2010 includes the results of the operations of the Company from its inception (15-11-2009) up to 31-12-2010 G together with those associated with the portfolio transferred which was included with effect from 01-01-2009 G as set forth in SAMA guidelines in this respect.

\*\*Net Underwriting Result excludes the unallocated Other Underwriting Expenses.

### (ii) Plans for the future\*\*\*

The Company will continue to further refine and develop its strategy to grow its business across retail, SME, commercial and large and complex risks segments by focusing on three key areas – Broker relationships, Affinity/Bancassurance, and Key Account Management.

The Company expects that brokers will continue to play an increasingly significant role in the placement of insurance risks and plans to further improve its broker engagement through a partnership approach. Growth in Large and Complex Risks, commercial and SME segments will be driven through a broker strategy underpinned by a compelling broker vision and differentiated broker propositions aligned to the vision, which will make the brokers' dealings with the Company simple, quick and consistent. The Company will also direct its efforts towards developing alternative products & propositions to enter the wider affinity market, whilst further leveraging and extracting value out of its current affinity relationships. Alongside these activities the Company will also implement remedial actions towards improving the performance of its motor portfolio.

\*\*\* Note: This report may contain "forward-looking statements" with respect to some of the Company's plans and its expectations relating to its future financial condition, performance and results. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond the Company's control, including amongst other things, domestic and global economic business conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities, the impact of competition, inflation, deflation, the timing impact and other uncertainties of future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation and other regulations in the jurisdictions in which the Company operates. As a result, the Company's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in the Company's forward-looking statements. Neither the Board of Directors nor the Company undertakes any obligation to update any forward-looking statements, save in respect of any requirement under applicable laws or regulations. Nothing in this report should be construed as a profit forecast.

### (iii) Summary Statement of Business Results, Assets and Liabilities

The Company's Statement of Financial Position as at 31-12-2014 G, the Statement of Comprehensive Income for the financial year ended 31-12-2014 G and the Statement of Changes in Shareholders' Equity is shown in the table below.

#### Summary Statement of Financial Position as at 31-12-2014 G

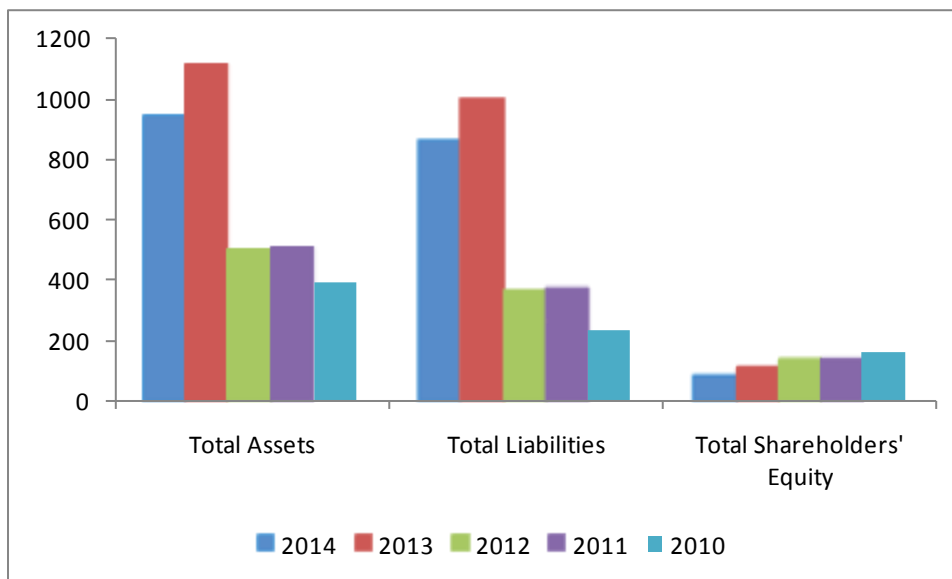
	SR Million				
	2014	2013	2012	2011	2010**
Insurance Operations' Assets	759.54	931.43	329.54	330.95	214.99
Shareholders' Assets	173.75	173.41	173.67	174.12	177.56
<b>Total Assets</b>	<b>933.29</b>	<b>1,104.84</b>	<b>503.21</b>	<b>505.07</b>	<b>392.55</b>

	SR Million				
	2014	2013	2012	2011	2010**
Insurance Operations' Liabilities	759.54	931.43	329.54	330.95	214.99
Shareholders' Liabilities	90.94	60.30	36.25	37.80	20.02
<b>Total Liabilities</b>	<b>850.48</b>	<b>991.73</b>	<b>365.79</b>	<b>368.75</b>	<b>235.01</b>
<b>Total Shareholders' Equity</b>	<b>82.81</b>	<b>113.11</b>	<b>137.42</b>	<b>136.32</b>	<b>157.54</b>

\*\*2010 includes the results of the operations of the Company from its inception (15-11-2009) up to 31-12-2010 G together with those associated with the portfolio transferred which was included with effect from 01-01-2009 G as set forth in SAMA guidelines in this respect.

### Key Statement of Financial Position Indicators

SR Million



### Summary Statement of Comprehensive Income - Insurance Operations for the Year Ended 31-12-2014 G

	SR Million				
	2014	2013	2012	2011	2010*
Gross Written Premiums	335.20	330.88	248.07	227.93	415.04
Net Written Premiums	171.74	159.72	131.33	121.33	234.30
Net Premiums Earned	160.21	155.03	120.22	114.12	248.61
Net Claims Incurred	(140.82)	(134.96)	(69.60)	(73.03)	(166.99)
Net Underwriting Surplus	27.13	31.68	57.69	42.19	79.67
General & Administrative Expenses	(55.93)	(53.98)	(53.22)	(59.13)	(96.70)
Insurance Operations' (Deficit)/Surplus	(28.26)	(21.66)	4.88	(16.66)	(15.39)
Net Surplus at end of the Period	-	-	0.49	-	-

\*2010 includes the results of the operations of the Company from its inception (15-11-2009) up to 31-12-2010 G together with those associated with the portfolio transferred which was included with effect from 01-01-2009 G as set forth in SAMA guidelines in this respect.

## Summary Statement of Comprehensive Income - Shareholders' Operations for the Year Ended 31-12-2014 G

	SR Million				
	2014	2013	2012	2011	2010*
Shareholders' appropriation from insurance operations' (deficit)/surplus	(28.26)	(21.66)	4.39	(16.66)	(15.39)
Investment income	1.56	1.57	1.29	1.08	2.26
Costs and expenses	(1.41)	(1.82)	(1.92)	(2.43)	(26.07)
Net (Loss)/Income	(28.11)	(21.91)	3.76	(18.01)	(39.20)
Total Comprehensive (Loss)/ Income before Zakat	(28.70)	(22.12)	4.17	(18.01)	(39.20)
Total Comprehensive (Loss)/ Income after Zakat	(30.30)	(24.31)	1.10	(21.22)	(42.46)
Basic and Diluted (Loss)/Earning (loss) per share (Saudi Riyals)	(1.41)	(1.10)	0.19	(0.90)	(1.96)
Weighted average number of outstanding shares (Millions of Shares)	20.00	20.00	20.00	20.00	20.00

\*2010 includes the results of the operations of the Company from its inception (15-11-2009) up to 31-12-2010 G together with those associated with the portfolio transferred which was included with effect from 01-01-2009 G as set forth in SAMA guidelines in this respect.

## Summary Statement of Changes in Shareholders' Equity

	SR Million				
	2014	2013	2012	2011	2010*
Share Capital	200.00	200.00	200.00	200.00	200.00
Accumulated losses	(116.81)	(87.10)	(62.99)	( 63.68)	(42.46)
Unrealized gain/(loss) on available for sale investments	(0.38)	0.21	0.41	-	-
Total	82.81	113.11	137.42	136.32	157.54

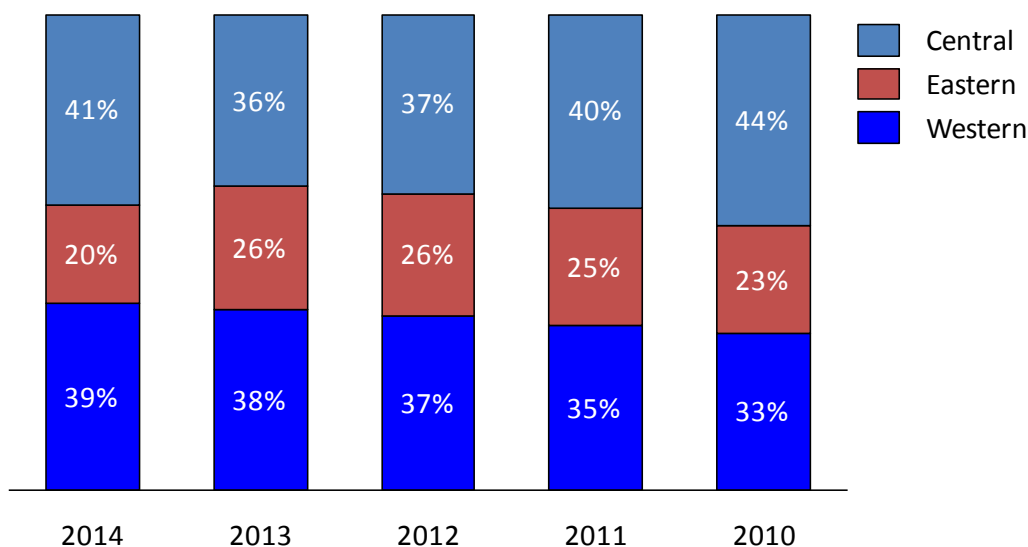
\*2010 includes the results of the operations of the Company from its inception (15-11-2009) up to 31-12-2010 G together with those associated with the portfolio transferred which was included with effect from 01-01-2009 G as set forth in SAMA guidelines in this respect.

## iv) Geographical Analysis and Material Variations from Previous Year

### a) Geographical Analysis

The Company operates solely within the Kingdom of Saudi Arabia. Geographical details of Gross Written Premiums for the various financial reporting periods since inception up to 31-12-2014 G are given below:

	SR Million				
Gross Written Premiums By Region	2014	2013	2012	2011	2010*
Central	134.61	119.01	93.52	92.91	183.76
Eastern	68.54	85.61	63.93	56.35	94.49
Western	132.05	126.26	90.62	78.67	136.79
Total KSA	335.20	330.88	248.07	227.93	415.04



\*2010 includes the results of the operations of the Company from its inception (15-11-2009) up to 31-12-2010 G together with those associated with the portfolio transferred which was included with effect from 01-01-2009 G as set forth in SAMA guidelines in this respect.

The Company does not have any subsidiaries in any jurisdiction.

#### b) Highlights of Variances in Operating Results

The Company has recently completed five full years of operations. As such, the information presented in the above tables cover the five reporting periods from inception up to 31-12-2014 G. The analysis below explains the differences in the operating results of the year ended 31-12-2014 G and the prior year (i.e. year ended 31-12-2013 G). Since no forecast had been made in respect of the operating results from 01-01-2014G till 31-12-2014G, no explanations regarding differences between the operating results of the reported period and the operating results of any announced forecast made by the Company have been provided.

The Company's Gross Written Premiums are SR 335.20 Million in 2014 compared to SR 330.88 Million in 2013. Property, motor, engineering and casualty portfolios witnessed growth during 2014 which was partly offset by rationalization of medical business. The increase in Gross Written Premiums and improved reinsurance arrangements has contributed to a higher Net Written Premiums and a higher Net Premiums Earned which increased by 7.53% and 3.34% in 2014 respectively.

Net Claims Incurred increased by 4.3% from SR (134.96) Million in 2013 to SR (140.82) Million in 2014. Motor claims and an increase in the technical reserves as mandated by SAMA on the insurance industry primarily led to the increase in Claims incurred in 2014.

The Net Underwriting Surplus is lower by 14.4% from SR 31.68 Million in 2013 to SR 27.13 Million in 2014 driven by increased Net Incurred Claims.

General and administrative expenses attributed to the Insurance Operations increased by 3.6% from SR (53.98) Million in 2013 to SR (55.93) Million in 2014 reflecting inflationary pressure on overall expenses.

The Insurance Operations' results for 2014 was a deficit of SR (28.26) Million compared to SR (21.66) Million in 2013. The deficit is mainly due to adverse net claims incurred in motor and medical.

The Total Comprehensive loss for 2014 was SR (28.70) Million compared to SR (22.12) Million in 2013.

#### v) Basis of Reporting

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the provisions of Article 123 of the Regulations for Companies and are therefore not in compliance with the Accounting Standards issued by the Saudi Organization for Certified Public Accountants (SOCPA). The basis of presentation of the financial statements and the significant accounting policies are explained in greater detail under Notes 2,3 and 4 of the Notes to the Financial Statements.

#### vi) Dividend Policy

Except for the initial years, the Company intends to pay annual dividends on the Shares based on the level of required capital to support the Company's operations. However, the Company does not expect to pay dividends to its Shareholders in the initial years following its incorporation and gives no assurance that any dividend will actually be paid thereafter, nor does it give any assurance as to the amount which will be paid in any given year.

In accordance with Article 43 of the By-Laws of the Company, 10% of the net surplus from Policyholders' operations shall be distributed to the Policyholders, and the balance of 90% shall be carried forward to the Shareholders' Income Statement.

From time to time, dividends will be paid to the Shareholders from the net profits subject to the following limitations contained in Article 44 of the By-Laws and Article 70 of the SAMA Implementing Regulation for the Law on Supervision of Cooperative Insurance Companies:

1. the decreed Zakat and income tax shall be set aside;
2. 20 percent of the net profits shall be allocated to form the statutory reserve. The ordinary General Assembly may discontinue this allocation when the said reserve reaches one hundred percent of the Company's paid-up capital;
3. the ordinary General Assembly may, at the recommendation of the Board, set aside a specific percentage of the annual net profits to build up additional reserves allocated for a specific purpose or purposes as determined by the General Assembly;
4. the balance shall be distributed as a first payment in the amount of at least five percent of paid-up capital to the Shareholders;
5. the remaining balance shall be distributed to the Shareholders as a share in the profits or to be transferred to the retained profits account; and
6. the Board may issue a decision to distribute periodical profits to be deducted from annual profits specified in paragraph 4 above in accordance with the rules and regulations issued by the competent authorities.

Any declaration of dividends will be dependent upon the Company's earnings, its financial condition, the condition of the markets, the general economic climate and other factors, including the Company's analysis of investment opportunities and reinvestment needs, cash and capital requirements, business prospects, as well as other legal and regulatory considerations.

The Company shall immediately inform the Capital Market Authority (the "CMA") of any resolutions or recommendations for distribution of profit. Any profits so proposed for distribution shall be paid to the Shareholders at the place and time specified by the Board pursuant to the instructions issued by the Ministry of Commerce & Industry and subject to SAMA written approval.

## vii) Risks Facing the Company

The Company has established a risk management framework to effectively manage the various risks facing the Company. The risks faced by the Company can be categorized as follows:

### a) Financial risk:

The Company's principal financial instruments are receivables arising from insurance and reinsurance contracts, cash and cash equivalents, deposits with banks and investments in bonds and Sukuks. The Company does not enter into derivative transactions.

1. Credit risk: The Company seeks to limit credit risk with respective counter parties (i.e. customers, intermediaries and reinsurers) through a structured credit policy which defines the parameters for setting counter party credit limits as well as for the selection of reinsurance counter parties.
2. Liquidity risk: Liquidity requirements are monitored on a regular basis and action taken to ensure that sufficient liquid funds are available to meet current and future commitments as and when they arise.
3. Market price risk: The Company limits market price risk through a conservative investment policy.
4. Commission rate risk: The Company limits commission rate risk by monitoring changes in commission rates in which its cash and investments are denominated.
5. Foreign currency risk: The Company does not have any significant foreign currency risk due to the limited transactions in foreign currencies.
6. Insurance risk: The Company's portfolio of business is 'short tail' in nature. The Company adopts a policy of pricing its risks based on technical factors and also coordinates with the RSA Group on technical aspects as and when it deems required. It also undertakes a periodic review of all of its key portfolios under the different lines of business to assess their performance and take corrective action where required. The Company also has a clearly stated risk appetite and closely monitors its aggregate risk exposures. It has put in place appropriate reinsurance arrangements to manage the potential impact of large claims and catastrophe.
7. Capital management: Shareholders' equity comprises share capital and accumulated losses. During the year Company obtained the necessary regulatory approvals to increase its issued and paid up capital from its current level of SR 200 Million to SR 400 Million through the issue of 20 Million rights shares of nominal value of SR 10 each at par.

### b) Strategic risk:

Strategic risk is actively managed through a structured process of setting and reviewing the strategic direction of the Company, based on a careful study of the macroeconomic environment, developments in the insurance market, competitor analysis and the Company's own evaluation of its risk appetite. The Company also benefits from inputs on global perspectives that it receives from RSA Group.

### c) Operational risk:

Significant resources are devoted to maintaining an efficient and effective operating environment through deployment of modern technology and a policy framework that addresses areas such as corporate responsibility, business ethics, and code of conduct. The Company's Executive Team actively oversees aggregate operational risk exposure and presents reports to the Audit Committee and the Board.

### d) Regulatory risk:

The Company has appointed a Compliance Officer with an appropriate level of independence, reporting into the Audit Committee. A comprehensive framework has been put in place to manage regulatory risks and to ensure compliance with all regulatory requirements and to track and monitor regulatory changes and enable the Company to remain compliant with regulatory changes as well as the necessary transparency in the related reporting to the Board of Directors.

## B. SHARES, CONTRACTUALLY BASED SECURITIES, SUBSCRIPTION RIGHTS, DEBT INSTRUMENTS

### i) Interest in a class of voting Shares held by persons (other than Issuer's Directors, Senior Executives and their spouses and minor children)

There is no individual person who has more than 5% interest in a class of voting Shares of the Company.

### ii) Interest, contractually based securities and subscription rights of the Company's Directors, Senior Executives and their spouses and minor children in the shares or debt instruments of the Company or any of its Subsidiaries.

Name of Beneficiary	Shares at inception or upon appointment	Shares at end of the Period	Change	Net Change %
Ali Husein Alireza	1,000	1,000	Nil	NA
Dr. Mohammed Al-Blehed	1,000	1,000	Nil	NA
Khaled Al Hamdan	1,000	1,000	Nil	NA
Adel Al-Sheikh	1,000	1,000	Nil	NA
Ossama Bukhari	1,000	1,000	Nil	NA
Sean William Lowther	1,000	1,000	Nil	NA
Khalid Allagany	1,000	1,000	Nil	NA
Christopher Dooley	1,000	1,000	Nil	NA
Lloyd East *	1,000	Nil	1,000	100%
Andrew Burke #	1,000	Nil	(1,000)	(100%)



# Directors who resigned during the financial year.

\* Lloyd East was appointed to the Board on 04-02-2015 G and his shares have been allocated after his appointment.

The above Shares have been allotted to the Directors in line with the By-Laws of the Company, which require that members of the Board shall own Shares of the face value of SR. 10,000, which are non-negotiable. Upon resignation, retirement or termination of any of the above Director(s), the Shares held as above will be transferred to the new Director(s) who is/are appointed in replacement of the Director(s) exiting the Board.

None of the Senior Executives, their spouses or minor children have any interest in the Shares of the Company.

The Company does not have any debt instruments or contractually based securities that it has issued, nor does the Company have any subsidiaries operating inside or outside the Kingdom of Saudi Arabia.

### iii) Borrowings, Issue / Redemption of Securities

The Company has neither borrowed any funds nor has it issued any convertible or redeemable debt instruments, contractually based securities, warrants or any other rights of a similar nature. It has also not made any repayment of any loan or redeemed or converted any redeemable or convertible debt instruments during the period and does not have any outstanding loans or redeemable or convertible debt instruments or contractually based securities or warrants or any other rights of a similar nature as at the end of the period.

## C. RELATED PARTY TRANSACTIONS

During the period from 01-01-2014 to 31-12-2014 G the Company had incurred a total charge of SR 30,100 in its Statement of Shareholders' Comprehensive Income towards branding fees payable to RSA Insurance Group plc.

The Company made reinsurance arrangements during the period on market terms with RSA Insurance Group plc., the total value of which for the period 01-01-2014 to 31-12-2014G was SR 54.20m representing Reinsurance premiums ceded on which the Company earned Reinsurance commission income of SR 11.84 m

RSA Insurance Group plc is a related party to Al Alamiya through one of its major shareholders, Royal & Sun Alliance Insurance (Middle East) B.S.C ( c )

The Company has entered into a Technical Services Agreement with the RSA Insurance Group Plc covering a period of five years, which has been renewed during the year, through which RSA Insurance Group Plc provides technical services to the company. During the period from 01-01-2014 to 31-12-2014G the company incurred a charge of SR 4.7m in its Statement of Insurance Operations for technical services received in various areas of the business under the above mentioned Technical Services agreement.

During the period 01-01-2014 to 31-12-2014G the Company entered into Insurance Contracts on market terms with its shareholder Riyadh Bank (mainly for Motor Leasing & Housing Loan and Life schemes) in an amount of SR 96.59m representing Gross Written Premiums, details of which are as follows

SR

Description of Contract	Line of Business	Date of Contract	Gross Written Premiums
Insurance	Motor	A number of insurance policies issued from 01-01-2014 to 31-12-2014G	67,266,939
Insurance	Marine	A number of insurance policies issued from 01-01-2014 to 31-12-2014G	1,484,658
Insurance	Property	A number of insurance policies issued from 01-01-2014 to 31-12-2014G	2,962,335
Insurance	General Accident (Bankers Blanket Bond)	07-07-2014 to 06-07-2015	4,803,486
Insurance	General Accident (Travel)	A number of insurance policies issued from 01-01-2014 to 31-12-2014G	1,979,158
Insurance	General Accident (Group Life)	A number of insurance policies issued from 01-01-2014 to 31-12-2014G	18,093,368
<b>Total</b>			<b>96,589,944</b>

The Company has also entered into an agency agreement with Riyadh Company for Insurance Agency (a subsidiary of Riyadh Bank) to market and sell company's insurance products. A total gross written premium of SR 1.39m has been realized through this channel during the period 01-01-2014 to 31-12-2014G and SR 0.20m of commissions has been earned by the Agency, as follows

SR

Description of Contract	Line of Business	Date of Contract	Gross Written Premiums	Commission Paid to Agency
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Insurance	Marine	The agency contract has been signed on 29-07-2013G	1,484,658	200,478
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During the reporting period the Company entered into Insurance Contracts at arm's length and on market terms directly or with business establishments having direct interest of the Company's Board of Directors and CFO, the details of which are below:

SR

Name	Position	Name of Establishment	Line of Business	Period From / To	Gross Written Premiums for the period
Khalid Al Hamdan	Director	Gulf Steel Works Group of Companies	Engineering	01-April-2014 to 31-March-2015	27,200
Khalid Al Hamdan	Director	Gulf Steel Works Group of Companies	Motor	01-April-2014 to 31-March-2015	249,879
Khalid Al Hamdan	Director	Gulf Steel Works Group of Companies	General Accident (Workmen's Compensation)	01-April-2014 to 31-March-2015	52,500
Khalid Al Hamdan	Director	Pan Gulf Group of Companies	Engineering	01-April-2014 to 31-March-2015	45,799
Khalid Al Hamdan	Director	Pan Gulf Group of Companies	Property	01-April-2014 to 31-March-2015	431,975
Khalid Al Hamdan	Director	Pan Gulf Group of Companies	Motor	01-April-2014 to 31-March-2015	2,488,767
Khalid Al Hamdan	Director	Pan Gulf Group of Companies	2014 endorsements to Motor insurance policies issued in 2013	01-April-2013 to 31-March-2014	6,870
Khalid Al Hamdan	Director	Pan Gulf Group of Companies	General Accident (Public and Product Liability)	01-April-2014 to 31-March-2015	60,000
Khalid Al Hamdan	Director	Pan Gulf Group of Companies	General Accident (Workmen's Compensation)	01-April-2014 to 31-March-2015	30,000
Mohammed Al-Blehed	Director	Seder Group	Property	01-November-2014 to 31-October-2015	151,938
Mohammed Al-Blehed	Director	Seder Group	2014 endorsements to Property insurance policies issued in 2013	01-November-2013 to 31-October-2014	5,293
Khalid Allagany	Managing Director and CEO	N/A	Motor	20-November-2014 to 19-November-2015	12,733
Khalid Allagany	Managing Director and	N/A	Motor	12-December-	3,653

	CEO			2014 to 11-December-2015	
Khalid Allagany	Managing Director and CEO	N/A	General Accident (Travel)	15-December-2014 to 14-January-2015	1,120
Khalid Allagany	Managing Director and CEO	N/A	General Accident (Travel)	20-March-2014 to 19-March-2015	7,072
Ossama Bukhari	Director	N/A	Motor	27-August-2014 to 26-August-2015	7,467
Fadi Aboul Hosn	Chief Financial Officer	N/A	Motor	06-May-2014 to 05-May-2015	2,209

Besides the above there were no transactions or contracts entered into by the Company pertaining to its operations and activities related thereto, in which Directors or the Chief Executive Officer, Chief Financial Officer or any associate had a material interest.

## D. OUTSTANDING STATUTORY DUES AND PAYMENTS MADE TO GOVERNMENT AUTHORITIES

i) The Company does not have any outstanding statutory dues as on 31-12-2014 G, except for the following:

Description	Amount SR	
	31-12-2014	31-12-2013
GOSI for the month of December 2014 (Payable in January 2015)	192,759	158,769
SAMA Supervision Fees payable for Q4 2014 (Payable in January 2015)	447,291	350,369
Department of Zakat & Income Tax – Towards withholding tax (Payable in January 2015)	87,522	2,299,619
Zakat (provision for 2014)	1,592,933	2,192,609
<b>Total</b>	<b>2,320,505</b>	<b>5,001,366</b>

ii) Statement of Payments made to Government Authorities during the period from 01-01-2014 to 31-12-2014 G

Description	Amount SR	
	2014	2013
Department of Zakat & Income Tax - towards withholding tax (Including December 2013 paid in January 2014)	4,905,089	4,027,716
Zakat (payment made in 2014 upon filing of 2013 return)	0	474,762
GOSI(Including December 2013 paid in January 2014)	2,138,061	1,958,682
Ministry of Interior, Labour Office, Chamber of Commerce, Municipality, SAGIA	347,093	209,917
SAMA Supervision Fees quarterly payments(Q1 2014 to Q3 2014 along with Q4 2013 paid in 2014)	1,546,918	1,503,994
CCHI Supervision Fees annual payments	208,089	102,970
<b>Total</b>	<b>9,145,250</b>	<b>8,278,041</b>

## E. EMPLOYEE BENEFITS

The Company did not make any investments or set up any reserves for the benefit of the employees other than those required under applicable laws and regulations.

## F. STATEMENTS

- i) The Company has maintained proper books of accounts.
- ii) The system of internal control is sound in design and has been effectively implemented.
- iii) There are no significant doubts concerning the ability of the Company to continue as a going concern.

## G. EXTERNAL AUDITORS' REPORT

The auditors have issued their audit report stating that, in their opinion, the financial statements taken as a whole:

- Present fairly, in all material aspects, the financial position of the Company as at 31-12-2014 G and the results of its operations and its cash flows for the period 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.

In addition, the auditors have also drawn attention to the fact that the financial statements have been prepared in accordance with International Financial Reporting Standards and not in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants.

## H. CONTINUATION OF EXTERNAL AUDITORS

The Board shall consider the appointment of external auditors for 2015 and make recommendations to the Shareholders for consideration at the Annual General Assembly Meeting.

## I. CORPORATE GOVERNANCE

### i) Compliance with Rules and Regulations

The Company has implemented all the provisions of the Corporate Governance Regulations issued by the CMA with the exception of the following:

#### Facilitation of Shareholders Exercise of Rights and Access to Information [Article # 4 (b)]

The company provides the necessary information to the shareholders to exercise their rights fully through the annual reports, the local newspapers and Tadawul website in a timely way. The availability of the information on the company's website was dependent on upgrade of the Company's website.

#### Invitation for the General Assembly meeting to be published on the Company's website [Article # 5 (c)]:

The invitations to the General Assembly meeting held in 2014 and the Extraordinary General Assembly meeting held in January 2015 were published in the local newspapers as well as on the Tadawul website. However, the publication of this on the Company's website was dependent on upgrade of the Company's website which has only recently been completed. b.

### ii) Board of Directors

#### Composition of the Board of Directors

The Company's By-Laws provide that the Company shall be managed by a Board of Directors consisting of nine (9) members appointed by the ordinary General Assembly for a term not exceeding three years.

During the period from 01-01-2014 up to 31-12-2014 G the following changes took place:

- Resignation by Andrew Burke from the Board with effect from 11-12-2014 G

The position of membership of the Board, following the above change is as follows:

	Name of Director	Position	Classification
1.	Ali Husein Alireza	Chairman	Independent Director
2.	Dr. Mohammed Al-Blehed	Director	Independent Director
3.	Khaled Al Hamdan	Director	Independent Director
4.	Adel Al-Sheikh	Director	Non-Executive Director, Riyadh Bank Nominee
5.	Ossama Bukhari	Director	Non-Executive Director, Riyadh Bank Nominee
6.	Sean William Lowther	Director	Non-Executive Director, RSA Nominee **
7.	Christopher Dooley	Director	Non Executive Director , RSA nominee **
8	Lloyd East *	Director	Non Executive Director , RSA nominee **
9.	Khalid Allagany	Managing Director	Executive Director, RSA Nominee **

\*The position held by Andrew Burke following his resignation from the Board effective 11-12-2014 G fell vacant and was filled by the appointment of Lloyd East on 04-02-2015 G

\*\* RSA means Royal & Sun Alliance Insurance (Middle East) B.S.C ( c )

All the above changes have been notified to the regulators as required under regulation

Name(s) of Joint Stock Company(s) in which Members of the Company's Board of Directors act as a Member of the Board of Directors.

Name of Director	Board positions held in other Joint Stock Company(s)	Position	Entity Type
Ali Husein Alireza	Samba Financial Group	Board member	Saudi Listed Joint Stock Company
	Arabian Petroleum Supply Company (APSCO)	Board member	Closed Joint Stock Company

#### Functions

The Board is responsible for the direction and oversight of the Company on behalf of the Shareholders and is accountable to them for all aspects of the Company's business. It is the Board's responsibility to adopt strategic plans, monitor operational performance, ensure that an effective risk management strategy is in place and all applicable legislation and regulation is complied with. The Board operates the following Board Committees to assist in discharging its duties:

- the Executive Committee;
- the Investment Committee;
- the Disclosure Committee;
- the Audit Committee;
- the Risk Committee and
- the Nomination & Remuneration Committee.

The Company is committed to implementing a sound corporate governance framework through which the objectives of the Company are set and the means of attaining these objectives and monitoring performance is determined. To achieve this, the Company operates within a set of corporate governance principles which, together with the roles and responsibilities of the Board are set out in the form of a Board Governance Manual.

#### Chairman and Managing Director

The division of responsibilities between the Chairman and the Managing Director are clearly defined by the Board and are in compliance with applicable laws and regulations in the Kingdom of Saudi Arabia. The Chairman has no involvement in the day-to-day management of the Company or its business, whereas the Managing Director has direct responsibility for the management of the Company.

#### Meetings

During the financial year 2014 the Board of Directors held 4 meetings. The attendance at these meetings has been as follows:

	Date of Meeting				Remarks
	18-03-2014G	05-06-2014G	25-09-2014G	10-12-2014G	
Ali Hussein Alireza	Y	Y	Y	Y	
Dr. Mohammed Al-Blehed	Y	Y	Y	N	
Khaled Al Hamdan	Y	Y	Y	Y	
Adel Al-Sheikh	Y	Y	Y	Y	
Osama Bukhari	Y	Y	Y	Y	
Sean William Lowther	Y	Y	Y	Y	
Christopher Dooley	Y	Y	Y	Y	
Khalid Allagany	Y	Y	Y	Y	
Andrew Burke *	Y	Y	Y	Y	

Y – Attended in person

N – Did not attend

NA – Was either not appointed or had resigned.

\* Directors who resigned during the period

### iii) Board Committees:

#### Executive Committee:

##### a. Composition

The Executive Committee shall comprise of a minimum of three and a maximum of five members. The current composition of the committee is as follows:

Name Designation	Designation	Role in Committee
Khalid Allagany	Managing Director and Chief Executive Officer	Chairman
Fadi Aboul Hosn	Chief Financial Officer	Member
Ahmed Khalifa	Underwriting Director	Member
SR Shashidhar	Strategy & Change Director	Member
Waleed Al Homaid #	Marketing & Sales Director	Member

# Waleed Al Homaid has resigned from the Company on 17/12/2014G.

#### b. Functions

The purpose of the committee is to assist the Chief Executive Officer in the performance of his duties, including:

- the development and implementation of strategy, operational plans, policies, procedures and budgets;
- the monitoring of operating and financial performance;
- the assessment and control of risk;
- the prioritisation and allocation of resources; and
- monitoring competitive forces in each area of operation.

#### c. Meetings

The Committee met on a regular basis and held six meetings during the period from 01-01-2014 up to 31-12-2014 G

### Investment Committee:

#### a. Composition

The Investment Committee shall comprise of a minimum of three and a maximum of five members. The current composition of the committee is as follows:

Name Designation	Designation	Role in Committee
Khalid Allagany	Managing Director and Chief Executive Officer	Chairman
Fadi Aboul Hosn	Chief Financial Officer	Member
Adel Al-Sheikh	Non Executive Director, Riyad Bank Representative	Member

#### b. Functions

The purpose of the committee is to manage all aspects of the investment assets held by the Company subject to adherence to the terms of the Investment Directives and the Committee Dealing Limits and in line with the applicable laws of the Kingdom of Saudi Arabia.

#### c. Meetings

The Committee held four meetings during the period from 01-01-2014 up to 31-12-2014 G.

### Disclosure Committee:

#### a. Composition

The Disclosure Committee shall comprise of a minimum of three and a maximum of five members. The current composition of the committee is as follows:

Name Designation	Designation	Role in Committee
Khalid Allagany	Managing Director and Chief Executive Officer	Chairman
Fadi Aboul Hosn	Chief Financial Officer	Member
Sean William Lowther	Non Executive Director, RSA Representative *	Member

\* RSA means Royal & Sun Alliance Insurance (Middle East) B.S.C ( c ).

#### b. Functions

The purpose of the committee is to ensure the Company's compliance with all legal and regulatory requirements relating to announcements, notifications, submissions, filings and approvals arising from its listing on the Tadawul. In line with its Terms of Reference, the committee can hold meetings through electronic means.

#### c. Meetings

The committee held meetings to review and approve the company's announcements on Tadawul website. The committee held thirty three of these meetings during the period from 01-01-2014 up to 31-12-2014 G

### Audit Committee:

#### a. Composition

The Audit Committee shall comprise of a minimum of three and a maximum of five members. The current composition of the committee is as follows:

Name Designation	Designation	Role in Committee
Sean William Lowther	Non Executive Director, RSA Representative *	Chairman
Mohammed Quresha	Executive Vice President, Finance, Finance Division, Riyad Bank	Member
Philip Michael Smith #	Head of Risk, Central & Eastern Europe & Middle East, RSA Group	Member

# Philip Smith resigned from his position as member of the Committee with effect from 30-09-2014 G. The Company is in the process of filling up the vacancy created by Philip Smith's resignation

\*RSA means Royal & Sun Alliance Insurance (Middle East) B.S.C ( c ).

#### b. Functions

The purpose of the Committee is to review the risk management and compliance functions and assess the Company's processes relating to its risk, compliance and internal control systems. Furthermore, the Committee will monitor the integrity of the Company's financial statements and the effectiveness of the external audit process and internal audit functions.

#### c. Meetings

The Committee held four meetings during the period from 01-01-2014 up to 31-12-2014 G.

### Risk Committee:

#### a. Composition

The Risk Committee shall comprise of the following eight members

- Managing Director
- Chief Financial Officer
- Regulatory Compliance Director
- Head of Risk
- Claims Director
- Underwriting Director
- Human Resources Director
- Head of Legal

The Managing Director shall be the Chairman of the Committee

The current members are as follows

Name Designation	Designation	Role in Committee
Khalid Allagany	Managing Director and Chief executive Officer	Chairman
Fadi Aboul Hosn	Chief Financial Officer	Member
Mohamed Rochdi Yahiaoui	Head of Regulatory Compliance	Member
Ahmed Khalifa	Underwriting Director	Member
Mohammad Al Fardous	Human Resources Director	Member
Abdulrahman Al Shabban #	Head of Risk	Member
Darwin Castaneda #	Claims Director	Member

# Darwin Castdneda and Abdulrahman Al Shaban have resigned from the Company and as at 31-12-2014 G , the Company was in the process of fulfilling these vacancies

#### b. Function

The Committee has the responsibility to oversee the Company's risk management arrangements ensuring the risk appetite is appropriate and adhered to and that key risks are identified and managed.

#### c. Meetings

The Committee held four meetings during the period from 01-01-2014 up to 31-12-2014 G.

### Nomination and Remuneration Committee:

#### a. Composition

The Nomination and Remuneration Committee shall comprise of a minimum of three and a maximum of five members. The current composition of the Committee is as follows:

Name Designation	Designation	Role in Committee
Andrew Burke #	Non Executive Director, RSA Representative *	Chairman
Mohammed Al-Blehed	Independent Director	Member
Adel Al-Sheikh	Non Executive Director, Riyadh Bank Representative	Member

#Andrew Burke resigned from his position with effect from 11-12-2014 G

\*RSA means Royal & Sun Alliance Insurance (Middle East) B.S.C ( c )

#### b. Functions

The purpose of the committee is to ensure transparency in the procedures for the selection, appointment and removal of Directors. All appointments and removals are to be ratified by the General Assembly. The committee will also be responsible for establishing policies regarding the indemnity and remuneration of Directors and Senior Managers.

#### c. Meetings

The committee held four meetings during the period from 01-01-2014 up to 31-12-2014 G.

#### iv) Compensation paid to Board members and Senior Executives

The remuneration payable to the Chairman and the Directors of the Company, including the fees for attendance at Board and Committee meetings, is defined in the By-Laws of the Company. Accruals have been made in the Financial Statements in accordance with these provisions, after considering the waiver by the non-independent members of the Board of their rights to remuneration as explained below.

The details of remuneration payable to the Chairman and the Independent Directors for the period from 01-01-2014 up to 31-12-2014 G for which provisions has been made in the financial statements are as follows:

SR

Board Members	2014			2013	
	Annual Remuneration	Board Meetings Attendance	Board Committees Attendance	Total SR	Total SR.
Ali Husein Alireza (Chairman)	180,000	12,000	Nil	192,000	192,000
Dr Mohammed Al Blehed (Director)	120,000	9,000	4,500	133,500	129,000
Khalid Al Hamdan (Director)	120,000	12,000	Nil	132,000	129,000

The Non-Independent Directors on the Board (i.e. the nominees of Riyad Bank and Royal & Sun Alliance Insurance (Middle East) B.S.C(c) have waived their rights to remuneration and fees for the attendance of Board and Committee meetings.

Compensation and remuneration paid to the top five executives (including the Chief Executive Officer and the Chief Financial Officer who are within the top five) during the period was SR 6,433,836 as follows:

Particulars of Compensation		2014	Amount (SR)
		2014	2013
i)	Salaries and Compensation	3,778,586	3,576,468
ii)	Allowances	1,070,664	1,020,117
iii)	Periodical and annual bonuses	722,125	429,737
iv)	Other compensation or benefits paid on a monthly or annual basis	862,461	798,447
	Total	<b>6,433,836</b>	<b>5,824,769</b>

#### v) Confirmation

During the period of the report, the Company has not been exposed to any punishment or penalty or preventive restriction imposed by the CMA, SAMA or any other supervisory or regulatory or judiciary body.

#### vi) Results of the Annual Review of the Internal Control Systems of the Company

The Board of Directors have formed an Audit Committee and a Risk Committee to support the Board in the discharge of its responsibilities in respect of supervising the Company's financial reporting processes, evaluating the adequacy and effectiveness of the Company's audit arrangements and overseeing the Company's risk management activities in ensuring that the risk appetite is appropriate and that key risks are identified and managed.

The Audit Committee has conducted an overall review of the Company's system of internal controls during 2014 using a risk based approach to ensure the scope and quality of management's ongoing monitoring of risks and no significant issues were identified.

The internal and external auditors and the Company's Compliance function have also conducted a number of reviews during 2014, which provide assurance on the Company's ability to meet its strategic objectives. The results of these reviews have been considered by the Audit Committee in building an opinion on the effectiveness of the internal control systems of the company. The Committee has also satisfied itself with respect to the actions taken by the management to address the observations and recommendations arising from the reviews. Based on the above, the Audit Committee has concluded that there were no control weaknesses which can be considered as significant which might result in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or conditions.

All the issues arising from the review have been reported to the Board of Directors with recommendations on actions to be implemented by the management of the Company.



During the period from 01-01-2014 to 31-12-2014 G the Audit Committee held four meetings. During these meetings the Committee amongst other activities:

- reviewed the internal and external audit arrangements and ensured their independence.
- reviewed and approved the internal audit plans as well as the adequacy of internal audit resources to execute the plans
- assessed the effectiveness of the internal audit function and reviewed the findings reported within the audit reports and the management actions to address them
- ensured that the external auditors had access to all information and explanations required by them for carrying out their audit and expressing their audit opinion
- reviewed and approved the interim and final financial statements and made recommendations to the Board for their approval and publication
- reviewed and approved the risk appetite as well as the risk profile of the Company
- evaluated the activities of the risk and compliance department in developing and implementing mitigating actions and managing the risks identified.
- assessed the arrangements in place to achieve compliance with applicable regulations.

For and on behalf of the Board of Directors



Ali Husein Aireza  
Chairman of the Board of Directors



Khalid Allagany  
Chief Executive Officer and Managing Director