

**SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

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

**SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

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

INDEX	PAGE
Independent Auditors' Report	1
Statement of Financial Position	2-3
Statement of Insurance Operations and Accumulated Surplus	4
Statement of Shareholders' Operations	5
Statement of Comprehensive Income	6
Statement of Changes in Shareholders' Equity	7
Statement of Insurance Operations' Cash Flows	8
Statement of Shareholders' Cash Flows	9
Notes to the Financial Statements	10- 40



Ernst & Young & Co. (Public Accountants)
13th Floor - King's Road Tower
PO Box 1094
King Abdulaziz Road (Malek Road)
Jeddah 21441
Saudi Arabia
Registration Number: 45



KPMG Al Fozan & Partners
P. O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
License No. 46/11/323
issued 11/3/1992

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

Scope of audit

We have audited the accompanying statement of financial position of Saudi Enaya Cooperative Insurance Company - a Saudi Joint Stock Company - ("the Company") as at 31 December 2015, and the related statements of insurance operations and accumulated surplus, shareholders' operations, shareholders' comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the year then ended and the related notes from 1 to 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

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

- i) 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
- ii) comply with the requirements of the Regulations for Companies and the Company's by-laws with respect to the preparation and presentation of the financial statements.


Emphasis of matter

We draw attention to the fact that these financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young


Husam Faisal Bawared
Certified Public Accountant
Licence No. 393


for KPMG Al Fozan & Partners


Ebrahim Oboud Baeshen
Certified Public Accountant
Licence No. 382

Jeddah, Kingdom of Saudi Arabia
15 Jumad Awal 1437 H
24 February 2016



SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	<i>Notes</i>	2015 SR'000	2014 SR'000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	903	1,198
Premiums receivable, net	4	21,934	6,078
Amounts due from shareholders' operations		17,405	-
Reinsurance receivable	18	4,766	4,167
Reinsurers' share of unearned premium	5	13,625	3,280
Reinsurers' share of outstanding claims	6	7,146	1,827
Deferred policy acquisition costs	7	1,359	381
Prepayments and other assets	8	5,020	3,351
Intangible assets	9	6,484	10,929
Furniture, fittings and office equipment	10	2,461	5,446
Total insurance operations' assets		81,103	36,657
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	58,110	105,138
Murabaha deposits	3 (b)	54,700	-
Investments	11	69,866	110,879
Prepayments and other assets	8	1,112	929
Amounts due from Insurance Operations		-	3,156
Statutory deposit	15	40,000	40,000
Total shareholders' assets		223,788	260,102
TOTAL ASSETS		304,891	296,759



Board Member



Chief Executive Officer



Chief Financial Officer

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

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2015

	Notes	2015 SR'000	2014 SR'000
INSURANCE OPERATIONS' LIABILITIES			
Insurance operations' liabilities			
Unearned premiums	5	34,312	8,180
Outstanding claims and other technical reserves	6	17,559	5,087
Reinsurance balance payable	18	14,257	5,078
Amounts due to Shareholders' Operations		-	3,156
Accrued expenses and other liabilities	12	14,975	15,156
Total insurance operations' liabilities		81,103	36,657
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued expenses and other liabilities	12	1,248	1,074
Accrued Zakat	13	4,860	7,508
Amounts due to insurance operations		17,405	-
Amounts due to related parties	18	4	4
Total shareholders' liabilities		23,517	8,586
Shareholders' equity			
Share capital	14	400,000	400,000
Accumulated losses		(199,729)	(148,484)
Total shareholders' equity		200,271	251,516
Total shareholders' liabilities and equity		223,788	260,102
TOTAL INSURANCE OPERATIONS' LIABILITIES, SHAREHOLDERS' LIABILITIES AND SHAREHOLDERS' EQUITY		304,891	296,759


Board Member


Chief Executive Officer


Chief Financial Officer

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

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS
For the year ended 31 December 2015

	Notes	2015 SR'000	2014 SR'000
REVENUE			
Gross written premiums		70,933	32,678
Less: Reinsurance ceded		(28,560)	(13,124)
Net written premiums		42,373	19,554
Movement in net unearned premiums	5(c)	(15,787)	10,733
Net premiums earned	5	26,586	30,287
CLAIMS			
Gross claims paid		26,650	51,954
Less: claims recovered		(13,441)	(25,699)
Net claims paid		13,209	26,255
Movement in net outstanding claims and other technical reserves		7,153	(3,938)
Net claims incurred	6	20,362	22,317
Policy acquisition costs		3,432	4,442
Net underwriting expenses		23,794	26,759
Net underwriting result		2,792	3,528
Other income		446	93
EXPENSES			
Selling and marketing	16	(4,546)	(4,646)
General and administration	17	(46,217)	(44,992)
DEFICIT FROM INSURANCE OPERATIONS		(47,525)	(46,017)
Shareholders' share of deficit from Insurance Operations	2(b)	47,525	46,017
Policyholders' share of deficit from insurance operations		-	-


Board Member


Chief Executive Officer


Chief Financial Officer

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

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF SHAREHOLDERS' OPERATIONS

For the year ended 31 December 2015

	Notes	2015 SR'000	2014 SR'000
LOSS			
Shareholders' share of deficit from Insurance Operations	2(b)	(47,525)	(46,017)
EXPENSES			
General and administration	17	(1,798)	(1,651)
		<u>(49,323)</u>	<u>(47,668)</u>
Investment (loss) / income		(2,673)	2,492
NET LOSS FOR THE YEAR		<u>(51,996)</u>	<u>(45,176)</u>
Weighted average number of ordinary shares outstanding (in thousands)		<u>40,000</u>	<u>40,000</u>
Loss per share for the year (in Saudi Arabian Riyals)	22	<u>(1.30)</u>	<u>(1.13)</u>



Board Member



Chief Executive Officer



Chief Financial Officer

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

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	<i>Note</i>	<i>2015</i> <i>SR'000</i>	<i>2014</i> <i>SR'000</i>
NET LOSS FOR THE YEAR		(51,996)	(45,176)
Zakat for the year	13	(1,825)	(2,883)
Reversal of prior year Zakat provision	13	<u>2,576</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(51,245)</u>	<u>(48,059)</u>


Board Member


Chief Executive Officer


Chief Financial Officer

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

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2015

	<i>Notes</i>	<i>Share capital SR'000</i>	<i>Accumulated losses SR'000</i>	<i>Total SR'000</i>
Balance at 31 December 2013		400,000	(100,425)	299,575
Net loss for the year - 2014		-	(45,176)	(45,176)
Zakat for the year	13	-	(2,883)	(2,883)
Balance at 31 December 2014		400,000	(148,484)	251,516
Net loss for the year - 2015		-	(51,996)	(51,996)
Zakat for the year	13	-	(1,825)	(1,825)
Reversal of prior year zakat provision	13	-	2,576	2,576
Balance at 31 December 2015		<u>400,000</u>	<u>(199,729)</u>	<u>200,271</u>


Board Member


Chief Financial Officer


Chief Executive Officer

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

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 SR'000	2014 SR'000
OPERATING ACTIVITIES			
Policyholders' share of deficit from Insurance Operations		-	-
Adjustments for:			
Provision/ (reversal) allowance for doubtful premiums receivable	4	3,048	(3,187)
Reinsurers' share of unearned premium		(10,345)	8,976
Deferred policy acquisition costs		(978)	1,637
Amortization of intangible assets	9	4,804	4,536
Depreciation	10	3,122	3,771
Unearned premiums	5	26,132	(19,709)
Net movement in provision for premium deficiency reserve	6	1,834	(2,085)
		<u>27,617</u>	<u>(6,061)</u>
Changes in operating assets and liabilities:			
Premiums receivable		(18,904)	18,868
Amounts due from shareholders' operations		(20,561)	(672)
Reinsurance receivable		(599)	769
Reinsurer's share of outstanding claims		(5,319)	1,853
Prepayments and other assets		(1,669)	89
Outstanding claims and other technical reserves		10,638	(3,705)
Reinsurance balance payable		9,179	(10,266)
Accrued expenses and other liabilities		(181)	895
Net cash from operating activities		<u>201</u>	<u>1,770</u>
INVESTING ACTIVITIES			
Purchase of furniture, fittings and office equipment	10	(137)	(499)
Intangible assets acquired	9	(359)	(1,322)
Net cash used in investing activities		<u>(496)</u>	<u>(1,821)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		<u>(295)</u>	<u>(51)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		<u>1,198</u>	<u>1,249</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3	<u><u>903</u></u>	<u><u>1,198</u></u>


Board Member


Chief Executive Officer


Chief Financial Officer

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

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 SR'000	2014 SR'000
OPERATING ACTIVITIES			
Net loss for the year before Zakat		(51,996)	(45,176)
Adjustments for:			
Fair value loss on investments	11	4,679	121
Amortisation of discount – net	11	(15)	25
Loss on sale of investments		-	42
Profit on Murabaha deposits		(2,006)	(2,079)
		<u>(49,338)</u>	<u>(47,067)</u>
Changes in operating assets and liabilities:			
Prepayments and other assets		1,823	1,057
Amounts due from a related party		-	83
Amounts due to insurance operations		20,561	672
Accrued expenses and other liabilities		174	188
Amounts due to related parties		-	(1,132)
		<u>(26,780)</u>	<u>(46,199)</u>
Cash used in operating activities		(26,780)	(46,199)
Zakat paid	13	(1,897)	(1,407)
Net cash used in operating activities		<u>(28,677)</u>	<u>(47,606)</u>
INVESTING ACTIVITIES			
Purchase of Murabaha deposits		(54,700)	(60,353)
Proceeds from encashment of Murabaha deposits		-	197,432
Purchase of investments	11	(35,083)	(121,340)
Proceeds from disposal of investments	11	59,554	38,615
Proceeds from maturity of investments	11	11,878	60,000
		<u>(18,351)</u>	<u>114,354</u>
Net cash (used in) / from investing activities		(18,351)	114,354
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(47,028)	66,748
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		105,138	38,390
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3	58,110	105,138


Board Member


Chief Executive Officer


Chief Financial Officer

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

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

1. ORGANISATION AND PRINCIPAL ACTIVITIES

Saudi Enaya Cooperative Insurance Company (the “Company”) is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry’s Resolution number 98/Q dated 16 Rabi Awwal 1433 H (corresponding to 8 February 2012). The Commercial Registration number of the Company is 4030223528 dated 27 Rabi Awwal 1433H (corresponding to 19 February 2012). The registered office address of the Company is:

Ahmed Ghalib Al-Esayi Building
P.O. Box 3528
Jeddah 21481
Kingdom of Saudi Arabia.

Following is the branch of the Company:

Branch	Commercial Registration Number:
Riyadh	1010421871

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. M/49 dated 27 Rajab 1432 H (corresponding to 29 June 2011) pursuant to the Council of Ministers’ Resolution No 224 dated 25 Rajab 1432 H (corresponding to 27 June 2011). As of the date of incorporation, the Company is 77% owned by the Saudi founding shareholders and the general public and 23% owned by non-Saudi founding shareholders. The Company was listed on the Saudi Stock Exchange (Tadawul) on 27 February 2012.

The objective of the Company is to engage in cooperative insurance operations and related activities, including reinsurance, agencies, representation, correspondence and brokerage, in the Kingdom of Saudi Arabia in accordance with its Articles of Association, and applicable regulations in the Kingdom of Saudi Arabia. The Company is licensed to underwrite medical insurance only. The Company commenced its commercial operations on 7 January 2013.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. STATEMENT OF COMPLIANCE

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS).

b. BASIS OF PREPARATION

These financial statements are prepared under the historical cost convention except for the measurement of FVIS investments at fair value. The Company presents its statement of financial position broadly in order of liquidity. All financial assets and liabilities except for statutory deposit, are expected to be recovered and settled respectively within twelve months after the reporting date.

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of account 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 books of account. The basis of allocation of expenses from joint operations is determined by the management and the Board of Directors.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. BASIS OF PREPARATION (continued)

In accordance with the by-laws of the Company, the surplus arising from the Insurance Operations is distributed as follows:

Shareholders	90%
Policyholders	10%
	<hr/>
	100%
	<hr/> <hr/>

In case of deficit arising from the Insurance Operations, the entire deficit is allocated and transferred to Shareholders' Operations.

c. FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in Saudi Arabian Riyals (SR), which is the functional currency of the Company. All financial information presented in SR has been rounded off to the nearest thousand, unless otherwise indicated.

d. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Company for preparing these financial statements are consistent with those used in the preparation of prior year financial statements except for adoption of following amendments and revisions to existing standards which had no financial impact on the Company:

<i>Standard</i>	<i>Description</i>
IFRS 1	First time adoption of IFRS
IAS 19	Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
IFRS 2	Share based payment
IFRS 3	Business combination
IFRS 8	Operating segments
IFRS 13	Fair value measurement
IAS 16 & 38	Property, plant and equipment and intangible assets
IAS 24	Related party disclosures
IAS 40	Investment property

Financial instruments – initial recognition and subsequent measurement

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, Murabaha deposits, premiums receivable, reinsurance receivable, other receivables, investments and amount due from Shareholders' Operations. Financial liabilities consist of outstanding claims and other technical reserves, reinsurance balance payable, amount due to Insurance Operations, amounts due to related parties and certain other liabilities.

Date of recognition

All financial assets and financial liabilities are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument.

Initial measurement of financial instruments

All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through statement of income, any directly attributable incremental costs of acquisition or issue. The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

**2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

d. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and murabaha deposits that have original maturity period not exceeding three months.

Murabaha deposits

Murabaha deposits, with original maturity of more than three months, are initially recognised in the statement of financial position at fair value and are subsequently measured at amortised cost using the effective yield method, less any impairment in value.

Investments

All investments are initially recognised at cost, being the fair value consideration given including acquisition charges associated with the investment. Financial assets are initially recognised at fair values plus, in the case of all financial assets not carried at fair value through income statement, transaction costs that are directly attributable to their acquisition.

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

FVIS investments

Investments are classified as Fair Value through Statement of Income (FVIS), if the fair value of the investment can be reliably measured and the classification as FVIS is as per the documented strategy of the Company. Investments classified as FVIS are initially recognised at cost, being the fair value of the consideration given. Subsequently, such investments are re-measured at fair value, with all changes in fair value being recorded in the statement of shareholders' operations.

Held to maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates are classified as held to maturity investments, when the Company has the positive intent and ability to hold to maturity.

Held to maturity investments are recorded at cost, adjusted by the amount of amortization of premium or accretion of discount using the effective commission rate method.

Any gain or loss on such investments is recognized in the statement of Shareholders' Operations when the investment is derecognized or impaired.

Premiums receivable

Premiums receivable are non derivative financial assets with fixed or determined payments.

Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. An allowance for impairment is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Deferred policy acquisition costs

Commission paid to internal sales staff and intermediaries and incremental direct costs incurred in relation to the acquisition and renewal of insurance contracts are capitalised as an intangible asset. The deferred policy acquisition costs are subsequently amortised over the terms of the insurance contracts to which they relate as premiums are earned.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

d. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets are non-monetary assets which have no physical existence but are independently identifiable and capable of supply of future economic benefits and the Company has earned the right due to events which have occurred in the past. They are acquired for cash and measured at the purchase price and all other directly attributable costs. Intangible assets are stated at cost less accumulated amortization and impairment loss, if any.

Amortization is recognised in the statement of insurance operations on a straight line basis over the estimated period of economic benefits associated with intangible assets, from the date that they are available for use. Similarly, impairment losses, if any, are recognised in the statement of insurance operations.

The estimated period of benefits associated with intangible assets are as follows:

	<u>Years</u>
Software	4
Licenses	4

Furniture, fittings and office equipment

Furniture, fittings and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets. The estimated useful lives of the assets for the calculation of depreciation are as follows:

	<u>Years</u>
Leasehold improvements	3
Computer equipment	4
Motor vehicles	5
Furniture, fittings and office equipment	4 – 10

Residual values, useful lives and the method of the depreciation are reviewed and adjusted if appropriate at the end of each financial period. Impairment reviews take place when events or changes in circumstances indicate that the carrying value may not be recoverable. The depreciation charge for the period is recognised in the statement of insurance operations on an actual basis. Similarly, impairment losses, if any, are recognised in the statement of insurance operations.

Expenditure for repair and maintenance is charged to the statement of insurance operations. Improvements that increase the value or materially extend the life of the related assets are capitalised.

Liability adequacy test

At each reporting date, 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 accumulated surplus and an unexpired risk provision (disclosed as premium deficiency reserve) is created.

The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

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

Employees' end of service benefits

The Company provides end of service benefits to its employees. The entitlement to these benefits is usually based upon the employee's length of service and the completion of a minimum service period. Provision is made for amounts payable under the Saudi Arabian labour law applicable to employees' accumulated periods of service at the statement of financial position date.

Zakat and income tax

Zakat and income tax are provided for in accordance with the Saudi Arabian fiscal regulations. Zakat is debited to the Saudi founding shareholders and general public equity accounts while income tax is debited to the non-Saudi founding shareholders' equity account. Additional amounts, if any, that may become due on finalisation of an assessment are recorded in the year in which the assessment is finalised.

As all Zakat and income tax charges will be recovered from the shareholders, no adjustments are made in the financial statements to account for the effects of deferred income taxes.

Impairment of financial assets

The Company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and 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 (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. If such evidence exists, any impairment loss is recognised in the statement of insurance operations and accumulated surplus or the statement of shareholders' operations.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing a significant financial difficulty, default or delinquency in repayments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Impairment is determined as follows:

- (a) for assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
- (b) for assets carried at amortised cost, impairment is the difference between the carrying amount and the present value of future cash flows discounted at the original effective commission rate.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's, or cash-generating unit's (CGU), fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of three to five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of Shareholders' Operations in expense categories consistent with the function of the impaired asset, except for a property previously revalued and where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of shareholders' operations unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Derecognition

Financial asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition (continued)

When the Company has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liability

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Revenue recognition

Premiums earned

The Company only issues insurance contracts for providing health care services ('medical insurance') in the Kingdom of Saudi Arabia. Premiums are taken to income over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premiums is taken to the statement of insurance operations and accumulated surplus in order that revenue is recognised over the period of risk.

Investment income

Investment income or loss comprises of unrealised and realised gains and losses on investments. Commission income on Murabaha deposits is recognised using the effective yield method.

Reinsurance premiums

Reinsurance premiums ceded are recognised as an expense when payable.

Reinsurance premiums are charged to income over the terms of the policies to which they relate on a pro-rata basis.

Claims

Claims, comprising amounts payable to policyholders and third parties, net of volume rebates and other recoveries, are charged to the statement of insurance operations and accumulated surplus as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Company and those incurred but not reported ("IBNR") at the statement of financial position date.

The Company scientifically estimates its claims based on previous experience. In addition a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported at the statement of financial position date. Any difference between the provisions at the statement of financial position date and settlements and provisions for the following year is included in the underwriting account for that year. The outstanding claims are shown on a gross basis and the related share of reinsurers is shown separately.

Reinsurance contracts held

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. All of the reinsurance is effected under treaty contracts.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reinsurance contracts held (continued)

Claims receivable from reinsurers are estimated in a manner consistent with the claim liability and in accordance with the reinsurance contract. These amounts are shown as “Reinsurers’ share of outstanding claims” in the statement of financial position until the claim is agreed and paid by the Company. Once the claim is paid the amount due from the reinsurers in connection with the paid claim is transferred to amounts due from / to reinsurers.

At each reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of 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.

Expenses

Selling and marketing expenses are those which relate to sales promotion, advertisement, salesmen and commission. All other expenses are classified as general and administration expenses.

Segmental reporting

A segment is a distinguishable component of the Company portfolio that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments.

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of insurance operations and accumulated surplus on a straight-line basis over the lease term.

Foreign currencies

The accounting records of the Company are maintained in Saudi Arabian Riyals. Transactions in foreign currencies are recorded in Saudi Arabian Riyals at the approximate rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the statement of insurance operations.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the statement of shareholders’ operations unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

e. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company’s financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Provision for outstanding claims

Judgement by management is required in the estimation of amounts due to policyholders and third parties arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Company estimates its claims based on its experience of its insurance portfolio. Claims requiring court or arbitration decisions, if any, are estimated individually. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a monthly basis. Any difference between the provisions at the statement of financial position date and settlements and provisions in the following year is included in the statement of insurance operations and accumulated surplus for that year. The provision for outstanding claims, as at 31 December, is also verified and certified by an independent actuary.

Allowance for doubtful receivable

A provision for impairment of premiums receivable is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the premiums receivable is impaired.

Deferred acquisition costs

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

Provision for premium deficiency reserve

Estimation of the premium deficiency for medical business is highly sensitive to a number of assumptions as to the future events and conditions. It is based on an expected loss ratio for the unexpired portion of the risks for written policies. To arrive at the estimate of the expected loss ratio, the actuary looks at the claims and premiums relationship which is expected to apply on a month to month basis. Such analysis is used to project loss ratios based on 'Per Member Per Month' (PMPM) claims against related earned premiums for a different cohort of medical policies. Based on the actuary's suggestion, the management has created a premium deficiency reserve for future expected underwriting losses and presented such reserve as part of outstanding claims and other technical reserves.

Useful lives of furniture, fittings and equipment

The Company's management determines the estimated useful lives of its furniture, fittings and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

Useful lives of intangible assets

The Company's management determines the estimated useful lives of its intangible assets for calculating amortization. These estimates are determined after considering the expected usage of the assets. Management reviews the residual value and useful lives annually and future amortization charges would be adjusted where the management believes the useful lives differ from previous estimates.

Classification of investments

The management designates at the time of acquisition of investment securities whether these should be classified as FVIS or held to maturity or available for sale securities. In judging whether investment in securities are classified as at fair value or amortised cost, management has considered the detailed criteria for determination of such classification as set out in IFRS.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Fair values of financial instruments

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values.

Going concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

f. NEW IFRS, AND AMENDMENTS THEREOF, ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Company financial statements are listed below. The listing is of standards issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.

<i>Standard</i>	<i>Description</i>	<i>Effective from periods beginning on or after the following date</i>
<i>IAS 1</i>	<i>Amendments to IAS 1 Disclosure Initiative</i>	<i>1 January 2016</i>
<i>IFRS 9</i>	<i>Financial Instruments</i>	<i>1 January 2018</i>
<i>IFRS 10, 12 and IAS 28</i>	<i>Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception</i>	<i>1 January 2016</i>
<i>IFRS 5</i>	<i>Amendments to IFRS 5 Changes in methods of disposal</i>	<i>1 January 2016</i>
<i>IFRS 7 and IFRS 1</i>	<i>Amendments to IFRS 7 regarding Servicing contracts (with consequential amendments to IFRS 1)</i>	<i>1 January 2016</i>
<i>IAS 19</i>	<i>Amendments to IAS 19 Discount rate – regional market issue</i>	<i>1 January 2016</i>
<i>IAS 34</i>	<i>Amendments to IAS 34 Disclosure of information</i>	<i>1 January 2016</i>
<i>IFRS 10 and IAS 28</i>	<i>Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint venture.</i>	<i>1 January 2016</i>
<i>IFRS 11</i>	<i>Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations</i>	<i>1 January 2016</i>
<i>IFRS 14</i>	<i>Regulatory Deferral Accounts</i>	<i>1 January 2016</i>
<i>IFRS 15</i>	<i>Revenue from Contracts with Customers</i>	<i>1 January 2018</i>
<i>IAS 16 and IAS 38</i>	<i>Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation</i>	<i>1 January 2016</i>
<i>IAS 16 and IAS 41</i>	<i>Amendments to IAS 16 and IAS 41 Agriculture Bearer Plants</i>	<i>1 January 2016</i>
<i>IAS 27</i>	<i>Amendment to IAS 27 Equity Method in Separate Financial Statements</i>	<i>1 January 2016</i>
<i>IFRS 16</i>	<i>Leases</i>	<i>1 January 2019</i>
<i>IAS 12</i>	<i>Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses</i>	<i>1 January 2017</i>

The management is currently assessing the implications of adopting the above mentioned standards, amendments or interpretation on the Company's financial statements.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

3. CASH AND CASH EQUIVALENTS

	2015 SR'000	2014 SR'000
<i>Insurance Operations</i>		
Cash in banks	887	1,187
Cash in hand	16	11
	<u>903</u>	<u>1,198</u>
<i>Shareholders' Operations</i>		
Cash in banks	37	54
Murabaha deposits (see note (a) below)	58,073	105,084
	<u>58,110</u>	<u>105,138</u>

- a) The Murabaha deposits are held with commercial banks in the Kingdom of Saudi Arabia. These Murabaha deposits are denominated in Saudi Arabian Riyals and have an original maturity of not exceeding three months.
- b) Murabaha deposits having original maturity of more than three months but less than a year, amounting to SR 54,700 thousand (2014: SR Nil), which are held in Saudi Arabian Riyals in the Kingdom of Saudi Arabia, are presented in the statement of financial position of the shareholders separately.

4. PREMIUMS RECEIVABLE, NET

	2015 SR'000	2014 SR'000
Gross premiums receivable	26,761	7,857
Allowance for doubtful premiums receivable	(4,827)	(1,779)
Premiums receivable, net	<u>21,934</u>	<u>6,078</u>

Movement in the allowance for doubtful premiums receivable was as follows:

	2015 SR'000	2014 SR'000
Balance at the beginning of the year	1,779	4,966
Charge / (reversal) during the year (note 17)	3,048	(3,187)
Balance at the end of the year	<u>4,827</u>	<u>1,779</u>

The ageing of unimpaired premium receivables arising from insurance contracts is as follows:

	<i>Up to three months SR'000</i>	<i>Above three and up to six months SR'000</i>	<i>Above six and up to twelve months SR'000</i>	<i>Above twelve months SR'000</i>	<i>Total SR'000</i>
31 December 2015	<u>6,382</u>	<u>10,643</u>	<u>4,417</u>	<u>492</u>	<u>21,934</u>
31 December 2014	<u>3,391</u>	<u>868</u>	<u>1,437</u>	<u>382</u>	<u>6,078</u>

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

4. PREMIUMS RECEIVABLE, NET (continued)

Balances up to three months are considered neither past due nor impaired. Balances above three months are past due but not impaired. Unimpaired receivables are expected, on the basis of experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables.

In respect of premium receivables, ten major customers account for 68% of the balance as at 31 December 2015 (2014: 67%).

5. NET PREMIUMS EARNED

	<i>2015</i> <i>SR'000</i>	<i>2014</i> <i>SR'000</i>
Gross written premiums during the year	70,933	32,678
Gross unearned premiums at beginning of the year	8,180	27,889
	<u>79,113</u>	<u>60,567</u>
Gross unearned premiums at end of the year	(34,312)	(8,180)
Gross premiums earned	<u>44,801</u>	<u>52,387</u>
Premiums ceded during the year	(28,560)	(13,124)
Reinsurers' share of unearned premiums at beginning of the year	(3,280)	(12,256)
	<u>(31,840)</u>	<u>(25,380)</u>
Reinsurers' share of unearned premiums at end of the year	13,625	3,280
Insurance premiums ceded to reinsurer	(18,215)	(22,100)
Net premiums earned	<u><u>26,586</u></u>	<u><u>30,287</u></u>

a) Movement in gross unearned premium comprises the following:

	<i>2015</i> <i>SR'000</i>	<i>2014</i> <i>SR'000</i>
Gross unearned premium at the beginning of the year	8,180	27,889
Gross unearned premium at the end of the year	(34,312)	(8,180)
	<u>(26,132)</u>	<u>19,709</u>

b) Movement in reinsurers' share of unearned premium comprises the following:

	<i>2015</i> <i>SR'000</i>	<i>2014</i> <i>SR'000</i>
Reinsurance share of unearned premium at the beginning of the year	(3,280)	(12,256)
Reinsurance share of unearned premium at the end of the year	13,625	3,280
	<u>10,345</u>	<u>(8,976)</u>

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

5. NET PREMIUMS EARNED (continued)

c) Movement in net unearned premium comprises the following:

	<i>2015</i> <i>SR'000</i>	<i>2014</i> <i>SR'000</i>
Net unearned premium at the beginning of the year	4,900	15,633
Net unearned premium at the end of the year	(20,687)	(4,900)
	<u>(15,787)</u>	<u>10,733</u>

6. CLAIMS INCURRED

	<i>2015</i> <i>SR'000</i>	<i>2014</i> <i>SR'000</i>
Gross claims paid	26,650	51,954
Gross outstanding claims and other technical reserves at end of the year	17,559	5,087
	<u>44,209</u>	<u>57,041</u>
Gross outstanding claims and other technical reserves at beginning of the year	(5,087)	(10,878)
Gross claims incurred	39,122	46,163
Reinsurance recoveries	(13,441)	(25,699)
Reinsurers' share of outstanding claims at end of the year	(7,146)	(1,827)
	<u>(20,587)</u>	<u>(27,526)</u>
Reinsurers' share of outstanding claims at beginning of the year	1,827	3,680
Reinsurers' share of claims	(18,760)	(23,846)
Net claims incurred	<u>20,362</u>	<u>22,317</u>

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

6. CLAIMS INCURRED (continued)

MOVEMENT IN OUTSTANDING CLAIMS AND OTHER TECHNICAL RESERVES

	2015			2014		
	Gross	Due from reinsurers SR '000	Net	Gross	Due from reinsurers SR '000	Net
Outstanding claims and incurred but not reported reserves	3,655	(1,827)	1,828	7,360	(3,680)	3,680
Premium deficiency reserve	1,432	-	1,432	3,518	-	3,518
Balance, January 1	5,087	(1,827)	3,260	10,878	(3,680)	7,198
Claim paid	(26,650)	13,441	(13,209)	(51,954)	25,699	(26,255)
Claims incurred	37,288	(18,760)	18,528	48,248	(23,846)	24,402
Premium deficiency reserve	1,834	-	1,834	(2,085)	-	(2,085)
Balance, December 31	17,559	(7,146)	10,413	5,087	(1,827)	3,260
Outstanding claims and incurred but not reported reserves	14,293	(7,146)	7,147	3,655	(1,827)	1,828
Premium deficiency reserve	3,266	-	3,265	1,432	-	1,432
Total	17,559	(7,146)	10,413	5,087	(1,827)	3,260

Claims Triangulation Analysis by treatment year

The following reflects the cumulative incurred claims, including both claims notified and incurred but not reported for each successive treatment 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 aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences will be eliminated which results in the release of reserves from earlier treatment years. In order to maintain adequate reserves, the Company transfers much of this release to the current treatment year reserves when the development of claims is less mature and there is much greater uncertainty attached to the ultimate cost of claims.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

6. CLAIMS INCURRED (continued)

2015				
Treatment year	2013	2014	2015	Total
SR '000				
Gross estimate of ultimate claims costs:				
At the end of treatment year	21,237	46,288	35,578	35,578
One year later	23,198	49,581	-	49,581
Two years later	21,613	-	-	21,613
	<u>21,613</u>	<u>49,581</u>	<u>35,578</u>	<u>106,772</u>
Current estimate of cumulative claims	21,613	49,581	35,578	106,772
Cumulative payments to date	(21,613)	(48,506)	(21,360)	(92,479)
	<u>-</u>	<u>75</u>	<u>14,218</u>	<u>14,293</u>
Liability recognised in statement of financial position	-	75	14,218	14,293

2015				
Treatment year	2013	2014	2015	Total
SR '000				
Net estimate of ultimate claims costs:				
At the end of treatment year	10,619	23,144	17,789	17,789
One year later	11,599	24,791	-	24,791
Two years later	10,807	-	-	10,807
	<u>10,807</u>	<u>24,791</u>	<u>17,789</u>	<u>53,387</u>
Current estimate of cumulative claims	10,807	24,791	17,789	53,387
Cumulative payments to date	(10,807)	(24,754)	(10,680)	(46,241)
	<u>-</u>	<u>37</u>	<u>7,109</u>	<u>7,146</u>
Liability recognised in statement of financial position	-	37	7,109	7,146

7. DEFERRED POLICY ACQUISITION COSTS

	<i>2015</i>	<i>2014</i>
	<i>SR'000</i>	<i>SR'000</i>
Balance at the beginning of the year	381	2,018
Additions during the year	3,780	1,235
Amortised during the year	(2,802)	(2,872)
	<u>1,359</u>	<u>381</u>
Balance at the end of the year	1,359	381

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

8. PREPAYMENTS AND OTHER ASSETS

	<i>2015</i> <i>SR'000</i>	<i>2014</i> <i>SR'000</i>
<i>Insurance Operations</i>		
Prepayments	773	2,576
Others	4,247	775
	<u>5,020</u>	<u>3,351</u>
	<i>2015</i> <i>SR'000</i>	<i>2014</i> <i>SR'000</i>
<i>Shareholders' Operations</i>		
Accrued income	310	357
Other receivables	802	572
	<u>1,112</u>	<u>929</u>

9. INTANGIBLE ASSETS

	<i>2015</i> <i>SR'000</i>	<i>2014</i> <i>SR'000</i>
<i>Insurance Operations</i>		
Cost:		
Balance at the beginning of the year	18,888	17,566
Additions during the year	359	1,322
	<u>19,247</u>	<u>18,888</u>
Amortization:		
Balance at the beginning of the year	7,959	3,423
Charge for the year	4,804	4,536
	<u>12,763</u>	<u>7,959</u>
Net book value as at 31 December	<u><u>6,484</u></u>	<u><u>10,929</u></u>

Intangible assets consist mainly of computer software used for the benefit of insurance operations.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

10. FURNITURE, FIXTURES AND OFFICE EQUIPMENT

Insurance Operations

	<i>Leasehold improvements SR'000</i>	<i>Computer equipment SR'000</i>	<i>Motor vehicles SR'000</i>	<i>Furniture fittings and office equipment SR'000</i>	<i>Total SR'000</i>
Cost:					
At 1 January 2014	3,722	8,417	294	2,313	14,746
Additions during the year	361	57	-	81	499
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2014	4,083	8,474	294	2,394	15,245
Additions during the year	64	73	-	-	137
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	4,147	8,547	294	2,394	15,382
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation:					
At 1 January 2014	1,983	3,482	115	448	6,028
Charge for the year	1,281	2,116	59	315	3,771
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2014	3,264	5,598	174	763	9,799
Charge for the year	614	2,128	62	318	3,122
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	3,878	7,726	236	1,081	12,921
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value as at 31 December 2015	269	821	58	1,313	2,461
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value as at 31 December 2014	819	2,876	120	1,631	5,446
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

11. INVESTMENTS

	2015 SR'000	2014 SR'000
<i>Shareholders' Operations</i>		
Investments held to maturity	27,882	39,745
FVIS investments	41,984	71,134
	<u>69,866</u>	<u>110,879</u>

Investments held to maturity

These represent investments in fixed rate and floating rate bonds which are managed by Saudi Fransi Capital as discretionary portfolio manager. Movement in investments classified as held to maturity (HTM) is as follows:

	2015 SR'000	2014 SR'000
Balance at beginning of the year	39,745	74,699
Purchases during the year	-	25,071
Matured during the year	(11,878)	(60,000)
Amortization during the year - net	15	(25)
Balance at end of the year	<u>27,882</u>	<u>39,745</u>

FVIS investments

Movement in investments classified as fair value through income statement ("FVIS") is as follows:

	2015 SR'000	2014 SR'000
Balance at beginning of the year	71,134	13,643
Purchases during the year	35,083	96,269
Disposals during the year	(59,554)	(38,657)
Changes in fair value during the year - net	(4,679)	(121)
Balance at end of the year	<u>41,984</u>	<u>71,134</u>

The fair values of these investments were as follows:

	2015 SR'000	2014 SR'000
Discretionary Portfolio Management	447	27,950
Al Badr Murabaha Fund	11,089	14,994
BlackRock Global Allocation Fund	9,846	10,074
BlackRock Global Equity Income Fund	7,639	7,602
BlackRock Global Multi Asset Fund	4,769	4,884
Saudi Istithmar Equity Fund	2,411	5,630
Saudi Fransi GCC IPO Fund	5,783	-
	<u>41,984</u>	<u>71,134</u>

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

12. ACCRUED EXPENSES AND OTHER LIABILITIES

	<i>2015</i>	<i>2014</i>
	<i>SR'000</i>	<i>SR'000</i>
<i>Insurance Operations</i>		
Payable to medical services providers	4,473	7,670
Employee related accruals	4,343	3,171
End of service benefits	2,259	1,991
Other liabilities	3,900	2,324
	<u>14,975</u>	<u>15,156</u>
	<i>2015</i>	<i>2014</i>
	<i>SR'000</i>	<i>SR'000</i>
<i>Shareholders' Operations</i>		
General assembly expenses	176	281
Other payables	1,072	793
	<u>1,248</u>	<u>1,074</u>

13. ZAKAT AND INCOME TAX

The Zakat and income tax payable by the Company has been calculated based on the best estimate of the management in accordance with the Zakat regulations in Saudi Arabia.

a) Zakat

Charge for the year

	<i>2015</i>	<i>2014</i>
	<i>SR'000</i>	<i>SR'000</i>
Current year provision	1,825	2,883

The Zakat charge has been calculated on Zakat base, the components of which are as follows:

	<i>2015</i>	<i>2014</i>
	<i>SR'000</i>	<i>SR'000</i>
Non-current assets	8,945	16,375
Share capital	400,000	400,000
Statutory deposit	40,000	40,000
Net loss before Zakat	51,996	45,176

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

13. ZAKAT AND INCOME TAX (continued)

a) Zakat (continued)

Movement in the Zakat payable is as follows:

	<i>2015</i> <i>SR'000</i>	<i>2014</i> <i>SR'000</i>
Balance at the beginning of the year	7,508	6,032
Charge for the year	1,825	2,883
Reversal of prior year Zakat provision (see note below)	(2,576)	-
Payments made during the year	(1,897)	(1,407)
	<hr/>	<hr/>
Balance at the end of the year	4,860	7,508
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2015, management of the Company has performed an exercise of Zakat and tax payable as at that date. Based on their exercise, Zakat accrual, amounting to SR 2,576 thousand, which is no longer considered required has been reversed.

b) Income tax

As the Company has incurred a loss during the year ended 31 December 2015, and in previous years, no provision has been established in respect of income tax in these financial statements.

c) Status of assessments

The Company has filed its Zakat and tax return for the first twelve month period ended 30 June 2012 with the Department of Zakat and Income Tax ("DZIT"). Assessment for the twelve month period has not yet been raised by the DZIT. The Company has also filed its Zakat and tax return for the long period from 8 February 2012 to 31 December 2013 and year ended 31 December 2014. The DZIT review is awaited.

During 2012, the Company received a letter from the DZIT, claiming additional Zakat amount of SR 9,720 thousand for the period from 6 September 2010 to 5 September 2012. Furthermore the DZIT issued another letter dated 23 July 2013 indicating additional Zakat liability of SR 500 thousand. The Company submitted an appeal against the DZIT treatment and is confident of a favourable outcome. Accordingly, no provision has been established in this regard in these interim condensed financial statements.

During the year, the DZIT issued initial assessment for the year 2014 with an additional Zakat liability of SR 2,600 thousand. The Company has filed an appeal against assessment. However, the DZIT has not raised final assessment for the year 2014.

Zakat base has been computed based on the Company's understanding of the zakat regulations enforced in the Kingdom of Saudi Arabia. The Zakat regulations in Saudi Arabia are subject to different interpretations, and the assessments to be raised by the DZIT could be different from the declarations filed by the Company.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

14. SHARE CAPITAL

The share capital of the Company is SR 400,000 thousand, divided into 40,000 thousand shares of SR 10 each, and subscribed by the following:

	<i>Percentage holding</i>	<i>SR'000</i>
Founding shareholders	60%	240,000
General public	40%	160,000
	<u>100%</u>	<u>400,000</u>

15. STATUTORY DEPOSIT

As required by the Saudi Arabian Insurance Regulations, the Company deposited an amount equivalent to 10% of its paid up share capital, amounting to SR 40,000 thousand, in a bank designated by the Saudi Arabian Monetary Agency ("SAMA"). This statutory deposit cannot be withdrawn without the consent of SAMA, and commission accruing on this deposit is payable to SAMA.

16. SELLING AND MARKETING EXPENSES

	<i>2015 SR'000</i>	<i>2014 SR'000</i>
<i>Insurance Operations</i>		
Employee costs	4,416	4,204
Marketing expenses	130	442
	<u>4,546</u>	<u>4,646</u>

17. GENERAL AND ADMINISTRATION EXPENSES

	<i>2015 SR'000</i>	<i>2014 SR'000</i>
<i>Insurance Operations</i>		
Employee costs	27,056	31,157
Allowance / (reversal) for doubtful premiums receivable (note 4)	3,048	(3,187)
Depreciation (note 10)	3,122	3,771
Amortization (note 9)	4,804	4,536
Rent expenses	2,082	2,137
Legal and professional fees	925	1,219
Repair and maintenance costs	2,942	3,110
Other expenses	2,238	2,249
	<u>46,217</u>	<u>44,992</u>

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

17. GENERAL AND ADMINISTRATION EXPENSES (continued)

<i>Shareholders' Operations</i>	<i>2015 SR'000</i>	<i>2014 SR'000</i>
Statutory expenses	96	12
Legal and professional fees	641	334
Investment related expenses	698	871
Travelling	5	49
Subscriptions	300	300
Others	58	85
	<u>1,798</u>	<u>1,651</u>

18. TRANSACTIONS WITH RELATED PARTIES

a) The related parties comprise founding shareholders, directors and key management personnel. Others includes companies in which shareholders have control. The Company in the normal course of business carries out transactions with various related parties.

b) Following are the details of related party transactions during the year ended 31 December 2015:

<i>Related party</i>	<i>Nature of transactions</i>	<i>Amount of transactions for the year ended 31 December</i>		<i>Balance as of 31 December</i>	
		<i>2015 SR'000</i>	<i>2014 SR'000</i>	<i>2015 SR'000</i>	<i>2014 SR'000</i>
Related parties of Juffali Group	Premiums written	664	392	99	97
	Claims paid	318	136	-	-
	Office rent	30	20	-	-
	Purchase of computer equipment, licenses and other services	125	307	-	-
	Premiums written	5,876	7,410	2,020	1,053
Munich Re	Claims paid	3,165	5,568	-	-
	Commission paid	391	555	61	19
	Reinsurance ceded	28,556	13,124	14,257	5,078
	Claims recovered	13,441	25,699	4,766	4,167
	Other recoveries	1,587	-	1,587	-
National Health Insurance Company - Daman PJSC	Training expenses	-	22	-	-
	International provider network fee	128	128	-	-
MedNet International Ltd.	Purchase / maintenance of computer software	1,411	2,394	-	-
Key management personnel	Short-term benefits	2,745	3,944	-	-
	Long-term benefits	101	142	101	142

c) The above balances are included in premiums receivables-net, reinsurance receivable, prepayments and other assets, reinsurance balance payable and amounts due to related parties.

d) Amounts due from shareholders' operations represent loss transferred to shareholder operations net of funds received during the year.

e) Transactions with related parties are approved by the Board of Directors and by the shareholders in the Annual General Meeting.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

19. RISK MANAGEMENT

Risk is inherent in the Company's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's growth and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company's policy is to monitor business risks through its strategic planning process.

Risk management structure

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

Audit committee

The Audit Committee is appointed by the Board of Directors. The Audit Committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting and risk management, the audit thereof and the soundness of the internal controls of the Company.

The risks faced by the Company and the way these risks are mitigated by management are summarised below.

Insurance risk

Insurance risk is the risk that actual claims payable to policyholders exceed the carrying amount of insurance liabilities. The objective of the Insurance Operations is to ensure that sufficient reserves are available to cover these liabilities. The Insurance Operations manages this risk by ensuring that adequate reinsurance cover is taken to restrict the maximum loss payable for any individual claim. The Company only issues short term contracts not exceeding one year in connection with medical risks.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company only underwrites medical risks. Medical insurance is designed to compensate holders for expenses incurred in treatment of a disease, illness or injury. Medical insurance is primarily offered to corporate customers and a large population is covered under the policy. Claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Geographical concentration of risks

The Company's insurance risk exposure relating to contract holders is concentrated in Saudi Arabia.

Independent actuarial review of claims and claims reserves

In further mitigation of the insurance risk, the Company utilises an independent actuary who performs periodical reviews of the Company's claims modelling and claims projections as well as verifying the closing position claims reserves are adequate.

Key assumptions

The principal assumption underlying the estimates is the Company's estimated ultimate loss ratio. The ultimate loss was determined using actuarial methods as far as applicable.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

19. RISK MANAGEMENT (continued)

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions such as the ultimate loss ratio with all other assumptions held constant showing the impact on net liabilities and insurance operations and accumulated surplus.

	Change in assumptions	Impact on liabilities SR' 000	Impact on net loss for the year SR' 000
Ultimate loss ratio – Insurance Operations			
Year ended 31 December 2015	± 5%	± 2,114	± 2,114
Year ended 31 December 2014	± 5%	± 978	± 978

Reinsurance risk

In common with other insurance companies, in order to minimise financial exposure arising from a high volume of claims or large claims, the Insurance Operations, 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.

Furthermore, to minimise its exposure to significant losses from reinsurers' insolvencies, the Insurance Operations evaluates the financial condition of its reinsurers. The Insurance Operations has a modified quota-share reinsurance arrangement with an international reinsurance company, with Standard & Poors "AA-" rating. This reinsurance arrangement covers all individual and group contracts issued by the Insurance Operations in the Kingdom of Saudi Arabia. Under the arrangement, the Insurance Operations retains 50% of the insurance cover.

The credit risk exposure in respect of reinsurer's share of outstanding claims is SR 7,146 thousand (31 December 2014: SR 1,827 thousand) and in respect of reinsurance balances receivable is SR 4,766 thousand (31 December 2014: SR 4,167 thousand).

Regulatory framework risk

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

Capital management (solvency) risk

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

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities.

The following information summarizes the minimum regulatory capital of the Company:

	2015 SR'000	2014 SR'000
Minimum regulatory capital	<u>100,000</u>	<u>100,000</u>

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

19. RISK MANAGEMENT (continued)

Financial risk

The Company's principal financial instruments are cash and cash equivalents, Murabaha deposits, premiums receivable, reinsurance receivable, other receivables, investments, amount due from a related party, amount due from Insurance Operations, outstanding claims, reinsurance balances payable, amount due to Shareholders' operations, amounts due to related parties and certain other liabilities.

The Company does not enter into derivative transactions.

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

Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

The Shareholders' Operations are exposed to market risk with respect to their FVIS investments. A 5% change in the fair value of FVIS investments, with all other variables held constant, would impact the Shareholders' Operations by SR 2,099 thousands (2014 : SR 3,557 thousands).

Commission rate risk

Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to commission rate risk on its Murabaha deposits and held to the maturity investments.

The Company places Murabaha deposits which are realisable within three months and more than three months, with the exception of restricted deposits which are required to be maintained in accordance with regulations in Saudi Arabia on which the Company does not earn any commission. Management manages commission rate risk by monitoring changes in commission rates in the currencies in which its deposits are denominated.

Held to maturity investments are managed by the discretionary portfolio manager.

Details of maturities of the major classes of commission bearing securities as at 31 December are as follows:

<i>Shareholder's Operations</i>	<i>SR '000</i>				<i>Total</i>
	<i>Less than 3 months</i>	<i>3 months to 1 year</i>	<i>Above 1 year</i>	<i>No fixed maturity</i>	
2015					
Murabaha deposits	58,073	54,700	-	-	112,773
Investments held to maturity	-	-	25,044	-	25,044
	58,073	54,700	25,044	-	137,817
2014					
Murabaha deposits	105,084	-	-	-	105,084
Investments held to maturity	-	8,000	25,060	-	33,060
	105,084	8,000	25,060	-	138,144

The insurance operations did not have any commission bearing assets as at 31 December 2015 and 2014.

The maturities of deposits have been determined on the basis of the remaining period, at the statement of financial position date, to the contractual maturity date.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

19. RISK MANAGEMENT (continued)

Financial risk (continued)

The effective commission rates for the commission bearing financial instruments, at 31 December, were as follows:

	2015	2014
<i>Shareholder's Operations</i>		
Saudi Arabian Riyal denominated Murabaha deposits	0.93%	0.82%
Investments held to maturity	2.07%	1.84%

The Company had no deposits in currencies other than Saudi Arabian Riyals. Further, held to maturity investments include both local and foreign currency bonds.

The following information demonstrates the sensitivity statement of shareholders' operations to possible changes in commission rates, with all other variables held constant.

	2015 SR'000	2014 SR'000
<i>Shareholder's Operations</i>		
<i>Saudi Arabian Riyals:</i>		
Increase in commission rates by 100 basis points	1,378	1,381
Decrease in commission rates by 100 basis points	(1,378)	(1,381)

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management believes that there is minimal risk of losses due to exchange rate fluctuations as the Company primarily deals in Saudi Arabian Riyals and in United States Dollars. The Saudi Arabian Riyals is pegged to the US Dollar.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company seeks to manage its credit risk with respect to customers by following the Company's credit control policy and monitoring outstanding receivables on an ongoing basis in order to reduce the Company's exposure to bad debts.

For all classes of financial instruments held by the Company, the maximum credit risk exposure is the carrying value as disclosed in the statement of financial position. The Company's credit risk exposure is primarily concentrated in Saudi Arabia. The Company maintains the exposures within limits. These limits have been set on the basis of the types of exposures and the credit rating or financial standing of the counterparty. The Company seeks to manage its credit risk with respect to other counterparties by placing deposits with reputable banks. The Company enters into reinsurance contracts with recognised, creditworthy parties (rated A or above).

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

	2015 SR'000	2014 SR'000
<i>Insurance Operations</i>		
Cash at banks (note 3)	887	1,187
Premium receivable, net (note 4)	21,934	6,078
Reinsurance receivable	4,766	4,167
Reinsurer's share of outstanding claims	7,146	1,827
Amount due from shareholders' operations	17,405	-
Other receivables	110	110
	52,248	13,369

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

19. RISK MANAGEMENT (continued)

Financial risk (continued)

Credit risk (continued)

	2015 SR'000	2014 SR'000
Shareholders' Operations		
Cash and cash equivalents (note 3)	58,110	105,138
Murabaha deposits (note 3(b))	54,700	-
Investments held to maturity	27,882	39,745
Amounts due from Insurance Operations	-	3,156
Statutory deposit	40,000	40,000
Other receivables	1,112	929
	<u>181,804</u>	<u>188,968</u>

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

	Investment grade SR' 000	Non-investment grade		Total SR' 000
		Satisfactory SR' 000	Past due but not impaired SR' 000	
Cash and cash equivalents	887	-	-	887
Premiums receivable, net	-	17,695	4,239	21,934
Reinsurance receivable	-	4,766	-	4,766
Reinsurance share of outstanding claims	-	7,146	-	7,146
Amount due from shareholders' operations	-	17,405	-	17,405
Other receivables	-	110	-	110
As at 31 December 2015	<u>887</u>	<u>47,122</u>	<u>4,239</u>	<u>52,248</u>

	Investment grade SR' 000	Non-investment grade		Total SR' 000
		Satisfactory SR' 000	Past due but not impaired SR' 000	
Cash and cash equivalents	1,187	-	-	1,187
Premiums receivable, net	-	3,391	2,687	6,078
Reinsurance receivable	-	4,167	-	4,167
Reinsurance share of outstanding claims	-	1,827	-	1,827
Other receivables	-	110	-	110
As at 31 December 2014	<u>1,187</u>	<u>9,495</u>	<u>2,687</u>	<u>13,369</u>

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

19. RISK MANAGEMENT (continued)

Financial risk (continued)

Credit risk (continued)

Shareholders' operations' financial assets

	<i>Investment grade</i>	Non-investment grade		<i>Total</i>
		<i>Satisfactory</i>	<i>Past due but not impaired</i>	
Cash and cash equivalents	58,110	-	-	58,110
Investments	27,882	-	-	27,882
Other receivables	-	1,112	-	1,112
Statutory deposit	40,000	-	-	40,000
As at 31 December 2015	125,992	1,112	-	127,104

	<i>Investment grade</i>	Non-investment grade		<i>Total</i>
		<i>Satisfactory</i>	<i>Past due but not impaired</i>	
Cash and cash equivalents	105,138	-	-	105,138
Investments	39,745	-	-	39,745
Other receivables	-	929	-	929
Statutory deposit	40,000	-	-	40,000
Amounts due from insurance operations	-	3,156	-	3,156
As at 31 December 2014	184,883	4,085	-	188,968

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity requirements are monitored on monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. All assets of the Company are current, except for furniture, fittings and office equipment, intangible assets and statutory deposit, which are non-current in nature.

The Company's financial liabilities consist of outstanding claims, reinsurance balances payable, amount due to insurance operations, amount due to related parties and certain other liabilities. All financial liabilities are non-commission bearing and are expected to be settled within 12 months from the date of statement of financial position, except end of service benefits, which are non-current in nature.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

19. RISK MANAGEMENT (continued)

Maturity profiles

Unearned premiums have been excluded from the analysis as they are not contractual obligations. The table below summarises the maturity profile of the financial liabilities of the Company based on remaining expected undiscounted contractual obligations:

	<i>2015</i>			<i>Total</i>
	<i>Up to one</i>	<i>More than</i>	<i>No fixed</i>	
	<i>year</i>	<i>one year</i>	<i>maturity</i>	
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
INSURANCE OPERATIONS' FINANCIAL LIABILITIES				
Outstanding claims and other technical reserves	17,559	-	-	17,559
Reinsurance balances payable	14,257	-	-	14,257
Accrued expenses and other liabilities	12,716	-	2,259	14,975
	<u>44,532</u>	<u>-</u>	<u>2,259</u>	<u>46,791</u>
SHAREHOLDERS' FINANCIAL LIABILITIES				
Accrued expenses and other liabilities	1,248	-	-	1,248
Accrued due to related parties	4	-	-	4
Amount due to Shareholders' Operations	-	-	3,156	3,156
	<u>1,252</u>	<u>-</u>	<u>3,156</u>	<u>4,408</u>
TOTAL FINANCIAL LIABILITIES	<u>45,784</u>	<u>-</u>	<u>5,415</u>	<u>51,199</u>
	<i>2014</i>			
	<i>Up to one</i>	<i>More than</i>	<i>No fixed</i>	<i>Total</i>
	<i>year</i>	<i>one year</i>	<i>maturity</i>	<i>SR</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
INSURANCE OPERATIONS' FINANCIAL LIABILITIES				
Outstanding claims and other technical reserves	5,087	-	-	5,087
Reinsurance balances payable	5,078	-	-	5,078
Accrued expenses and other liabilities	13,165	-	1,991	15,156
	<u>23,330</u>	<u>-</u>	<u>1,991</u>	<u>25,321</u>
SHAREHOLDERS' FINANCIAL LIABILITIES				
Accrued expenses and other liabilities	1,074	-	-	1,074
Accrued due to related parties	4	-	-	4
	<u>1,078</u>	<u>-</u>	<u>-</u>	<u>1,078</u>
TOTAL FINANCIAL LIABILITIES	<u>24,408</u>	<u>-</u>	<u>1,991</u>	<u>26,399</u>

Liquidity profile

None of the financial liabilities on the statement of financial position are based on discounted cash flows and are all payable on a basis as set out above. There are no differences between contractual and expected maturity of the financial liabilities of the Company.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

20. SEGMENT INFORMATION

The Company only issues insurance contracts for providing health care services ('medical insurance'). All the insurance operations of the Company are carried out in the Kingdom of Saudi Arabia. As the commercial operations of the Company are at the initial stage, the operations are not yet monitored in different categories. Accordingly, no segment information is provided.

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

a) Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The Company's financial assets include cash and cash equivalents, Murabaha deposits, premiums receivable, reinsurance receivable, other receivables, investments and amount due from shareholders' operations. The Company's financial liabilities consist of outstanding claims, reinsurance balance payable, amount due to insurance operations, amounts due to related parties and certain other liabilities. The fair values of financial instruments are not materially different from their carrying values. At 31 December 2015 and 2014, apart from the investments which are carried at fair value, there were no other financial instruments held by the Company that were measured at fair value.

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

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

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

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

As at 31 December 2015 and 31 December 2014, all financial instruments, which are fair valued, are Level 2 instruments. There were no transfers between levels during the year ended 31 December 2015 and year ended 31 December 2014.

22. LOSS PER SHARE

The loss per share has been calculated by dividing the net loss for the year by the weighted average number of ordinary shares issued and outstanding at the year end. The diluted loss per share is not applicable to the Company.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

23. COMMITMENTS AND CONTINGENCIES

Insurance Operations

a) Operating lease commitments:

Future minimum rentals payable under a non-cancellable operating lease as at 31 December are as follows:

	<i>2015</i> <i>SR'000</i>	<i>2014</i> <i>SR'000</i>
Within one year	1,790	1,790
After one year but no more than five years	-	1,790
	<u>1,790</u>	<u>3,580</u>

b) There were no capital commitments outstanding as at 31 December 2015 (2014: Nil).

c) As at 31 December 2015, a performance guarantee amounting to SR 500 thousand (2014: SR 500 thousand) was issued to the medical service providers on behalf of the Company.

24. COMPARATIVE FIGURES

Certain of the prior year amounts which are not significant to the financial statements have been reclassified to conform with the presentation in the current year. These reclassifications do not have any impact on net loss for the year ended 31 December 2015 or shareholders' equity as at 31 December 2014 reported earlier.

25. SUBSEQUENT EVENT

Subsequent to the year ended 31 December 2015, the Company's accumulated losses exceeded 50% of its paid up capital. As per the regulations of the Capital Market Authority, the Company announced on 11 February 2016 on Tadawul that the Company's accumulated losses exceeded 50% of its paid up capital. The primary causes for the accumulated losses are the pre-incorporation expenses incurred by the Company, the delay in commencement of commercial operations and slow market penetration during the start-up phase.

26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were authorized for issue by the Board of Directors on 24 February 2016 (corresponding to 15 Jumad Awal 1437H).