

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

**UNAUDITED INTERIM CONDENSED  
FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH AND NINE-MONTH  
PERIODS ENDED 30 SEPTEMBER 2017**

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2017**

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**INDEPENDENT AUDITORS' REVIEW REPORT  
ON THE INTERIM CONDENSED FINANCIAL STATEMENTS**

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

**INTRODUCTION**

We have reviewed the accompanying interim statement of financial position of Saudi Enaya Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as at 30 September 2017 and the related interim statements of insurance operations and accumulated surplus, shareholders' operations, comprehensive income for the three-month and nine-month periods then ended and the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' operations cash flows for the nine-month period then ended and the notes from 1 to 16 which form an integral part of these interim condensed financial statements. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 – "Interim Financial Reporting" (IAS 34) and Saudi Arabian Monetary Authority ("SAMA") guidance on accounting for Zakat and Income Tax. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

**SCOPE OF REVIEW**

We conducted our review in accordance with International Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of these interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not presented fairly, in all material respects, in accordance with International Accounting Standard 34 – "Interim Financial Reporting" (IAS 34) and SAMA's guidance on accounting for Zakat and Income Tax.

for PKF Al Bassam & Al Nemer  
Allied Accountants

  
Ibrahim A. Al Bassam  
Certified Public Accountant  
Licence No. 337



for Sindi & Batterjee  
Certified Public Accountants

  
Mazin Mohammed Batterjee  
Certified Public Accountant  
Licence No. 217



31 October 2017  
11 Safar 1439H  
Jeddah, Kingdom of Saudi Arabia

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

**INTERIM STATEMENT OF FINANCIAL POSITION**

As at 30 September 2017

		<b>30 September 2017 (Unaudited) SR'000</b>	<b>31 December 2016 (Audited) SR'000</b>
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	3	7,317	5,954
Premiums receivable, net	4	91,757	50,861
Amounts due from shareholders' operations		31,735	23,994
Reinsurance receivable		13,318	14,173
Reinsurers' share of unearned premiums		-	9,424
Reinsurers' share of outstanding claims	6	973	11,438
Deferred policy acquisition costs		6,518	2,511
Prepayments and other assets		9,130	2,806
Intangible assets		1,632	3,302
Furniture, fittings and office equipment		1,398	1,366
<b>Total insurance operations' assets</b>		<b>163,778</b>	<b>125,829</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	3	5,134	92,706
Murabaha deposits	3(b)	129,295	43,810
Investments	5	35,109	34,992
Prepayments and other assets		733	1,125
Commission on statutory deposit		1,460	1,411
Statutory deposit	11	30,000	30,000
<b>Total shareholders' assets</b>		<b>201,731</b>	<b>204,044</b>
<b>TOTAL ASSETS</b>		<b>365,509</b>	<b>329,873</b>



Chairman



Chief Financial Officer



Chief Executive Officer

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

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

**INTERIM STATEMENT OF FINANCIAL POSITION (continued)**

As at 30 September 2017

	<i>Notes</i>	<i>30 September 2017 (Unaudited) SR '000</i>	<i>31 December 2016 (Audited) SR '000</i>
<b>INSURANCE OPERATIONS' LIABILITIES</b>			
<b>Insurance operations' liabilities</b>			
Unearned premiums		112,421	64,740
Outstanding claims and other technical reserves	6	36,809	27,420
Reinsurance balance payable		1,105	17,509
Accrued expenses and other liabilities		13,443	16,160
<b>Total insurance operations' liabilities</b>		<u>163,778</u>	<u>125,829</u>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>Shareholders' liabilities</b>			
Accrued expenses and other liabilities		94	193
Accrued Zakat	9	7,898	6,699
Amounts due to insurance operations		31,735	23,994
Commission on statutory deposit payable to SAMA		1,460	1,411
<b>Total shareholders' liabilities</b>		<u>41,187</u>	<u>32,297</u>
<b>Shareholders' equity</b>			
Share capital	7	200,000	200,000
Accumulated losses		(39,456)	(28,253)
<b>Total shareholders' equity</b>		<u>160,544</u>	<u>171,747</u>
<b>Total shareholders' liabilities and equity</b>		<u>201,731</u>	<u>204,044</u>
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES, SHAREHOLDERS' LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u><u>365,509</u></u>	<u><u>329,873</u></u>



Chairman



Chief Financial Officer



Chief Executive Officer

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS

For the three-month and nine-month periods ended 30 September 2017

	Notes	Three-month period ended 30 September (Unaudited)		Nine-month period ended 30 September (Unaudited)	
		2017 SR'000	2016 SR'000	2017 SR'000	2016 SR'000
<b>REVENUE</b>					
Gross written premiums		59,427	21,373	174,668	89,300
Less: Premiums ceded		1,258	(8,551)	1,153	(35,869)
Excess of loss premiums		(1,014)	-	(3,042)	-
Net written premiums		59,671	12,822	172,779	53,431
Movement in net unearned premiums		(7,392)	1,300	(57,105)	(11,515)
Net premiums earned		52,279	14,122	115,674	41,916
<b>CLAIMS</b>					
Gross claims paid		30,550	13,360	72,373	42,289
Less: claims recovered		(6,887)	(6,741)	(21,142)	(21,495)
Net claims paid		23,663	6,619	51,231	20,794
Movement in net outstanding claims and other technical reserves		7,350	(263)	19,854	3,664
Net claims incurred		31,013	6,356	71,085	24,458
Policy acquisition cost		2,679	1,051	6,508	3,136
Other underwriting expenses		898	774	3,010	1,898
Net underwriting expenses		34,590	8,181	80,603	29,492
Net underwriting result		17,689	5,941	35,071	12,424
Other income		-	14	50	14
<b>EXPENSES</b>					
Selling and marketing		(1,403)	(1,061)	(4,270)	(3,225)
General and administration	8	(15,853)	(12,476)	(41,978)	(32,291)
<b>SURPLUS / (DEFICIT) FROM INSURANCE OPERATIONS</b>		<b>433</b>	<b>(7,582)</b>	<b>(11,127)</b>	<b>(23,078)</b>
Shareholders' share of (surplus) / deficit from insurance operations	2(a)	(433)	7,582	11,127	23,078
Policyholders' share of surplus from insurance operations		-	-	-	-



Chairman



Chief Financial Officer



Chief Executive Officer

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS

For the three-month and nine-month periods ended 30 September 2017

	Notes	Three-month period ended 30 September (Unaudited)		Nine-month period ended 30 September (Unaudited)	
		2017 SR'000	2016 SR'000	2017 SR'000	2016 SR'000
Shareholders' share of surplus / (deficit) from insurance operations	2(a)	433	(7,582)	(11,127)	(23,078)
<b>EXPENSES</b>					
General and administration	8	(405)	(333)	(864)	(1,371)
		28	(7,915)	(11,991)	(24,449)
Investment income		700	1,652	2,688	3,106
<b>NET INCOME / (LOSS) FOR THE PERIOD</b>		<b>728</b>	<b>(6,263)</b>	<b>(9,303)</b>	<b>(21,343)</b>
Weighted average number of ordinary shares outstanding (in thousands)		20,000	20,000	20,000	20,000
Earnings / (Loss) per share (in Saudi Riyals)	13	0.04	(0.31)	(0.47)	(1.07)

  
Chairman

  
Chief Financial Officer

  
Chief Executive Officer

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

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three-month and nine-month periods ended 30 September 2017

	Note	<i>Three-month period ended</i>		<i>Nine-month period ended</i>	
		<i>30 September</i>		<i>30 September</i>	
		<i>(Unaudited)</i>		<i>(Unaudited)</i>	
		<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
		<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
NET INCOME / (LOSS) FOR THE PERIOD		728	(6,263)	(9,303)	(21,343)
<i>Items that are or may be reclassified subsequently to statement of Shareholders' Operations:</i>					
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD		<u>728</u>	<u>(6,263)</u>	<u>(9,303)</u>	<u>(21,343)</u>



Chairman



Chief Financial Officer



Chief Executive Officer

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

**INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

For the nine-month periods ended 30 September 2017

*For the Nine-month period ended 30 September 2017*

	<i>Share capital SR'000</i>	<i>Accumulated losses SR'000</i>	<i>Total SR'000</i>
Balance as at 1 January 2017 (audited)	200,000	(28,253)	171,747
Net loss for the period	-	(9,303)	(9,303)
Zakat charge for the current period (Note 9)	-	(1,900)	(1,900)
Balance at 30 September 2017 (unaudited)	<u>200,000</u>	<u>(39,456)</u>	<u>160,544</u>

*For the nine-month period ended 30 September 2016*

	<i>Share capital SR'000</i>	<i>Accumulated losses SR'000</i>	<i>Total SR'000</i>
Balance as at 1 January 2016 (audited)	400,000	(199,729)	200,271
Net loss for the period	-	(21,343)	(21,343)
Zakat charge for the current period	-	(2,300)	(2,300)
Balance at 30 September 2016 (unaudited)	<u>400,000</u>	<u>(223,372)</u>	<u>176,628</u>



Chairman



Chief Financial Officer



Chief Executive Officer

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

**INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS**

For the nine-month period ended 30 September 2017

		<i>Nine-month period ended 30 September 2017 (Unaudited) SR'000</i>	<i>Nine-month period ended 30 September 2016 (Unaudited) SR'000</i>
	<i>Notes</i>		
<b>OPERATING ACTIVITIES</b>			
Policyholders' share of surplus from Insurance Operations		-	-
Adjustments for:			
Depreciation		359	1,121
Amortization of intangible assets		1,738	3,952
Gain on sale of furniture, fittings and office equipment		(50)	-
Reinsurers' share of unearned premium		9,424	(8,438)
Deferred policy acquisition costs		(4,007)	(1,178)
Unearned premiums		47,681	19,953
Net movement in allowance for doubtful premiums receivable	4	9,988	2,952
		<u>65,133</u>	<u>18,362</u>
Changes in assets and liabilities:			
Premiums receivable		(50,884)	(25,246)
Reinsurance receivable		855	(9,889)
Reinsurer's share of outstanding claims		10,465	(3,781)
Prepayments and other assets		(6,324)	(6,534)
Outstanding claims and other technical reserves		9,389	7,444
Reinsurance balance payable		(16,404)	18,008
Amounts due from / (to) Shareholders' Operations		(7,741)	(355)
Accrued expenses and other liabilities		(2,717)	4,030
		<u>1,772</u>	<u>2,039</u>
Net cash from operating activities			
<b>INVESTING ACTIVITIES</b>			
Purchase of furniture, fittings and office equipment		(392)	(151)
Intangible assets acquired		(67)	(2,037)
Proceeds from sale of furniture, fittings and office equipment		50	-
		<u>(409)</u>	<u>(2,188)</u>
Net cash used in investing activities			
<b>NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS</b>		<u>1,363</u>	<u>(149)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		<u>5,954</u>	<u>903</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	3	<u>7,317</u>	<u>754</u>



Chairman



Chief Financial Officer



Chief Executive Officer

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

**INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS**

For the nine-month period ended 30 September 2017

		<i>Nine-month period ended 30 September 2017 (Unaudited) SR'000</i>	<i>Nine-month period ended 30 September 2016 (Unaudited) SR'000</i>
<b>OPERATING ACTIVITIES</b>			
Net loss for the period		(9,303)	(21,343)
Adjustments for:			
Fair value (gain) / loss on investments	5	(145)	(141)
Amortization of discount – net	5	53	37
Gain on disposal of investments		-	(182)
		<u>(9,395)</u>	<u>(21,629)</u>
Changes in assets and liabilities:			
Prepayments and other assets		343	(1,476)
Amounts due from / to Insurance Operations		7,741	355
Accrued expenses and other liabilities		(50)	205
		<u>(1,361)</u>	<u>(22,545)</u>
Zakat paid		(701)	(861)
Net cash used in operating activities		<u>(2,062)</u>	<u>(23,406)</u>
<b>INVESTING ACTIVITIES</b>			
Murabaha deposits placed	3(b)	(85,485)	(76,950)
Proceed from encashment of murabaha deposits		-	54,700
Proceeds from maturity of held to maturity investments		-	2,813
Purchase of investments	5	(10,000)	(6,792)
Proceeds from disposal of investments	5	9,975	16,792
Net cash used in investing activities		<u>(85,510)</u>	<u>(9,437)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<u>(87,572)</u>	<u>(32,843)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		<u>92,706</u>	<u>58,110</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	3	<u>5,134</u>	<u>25,267</u>



Chairman



Chief Financial Officer



Chief Executive Officer

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

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

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2017

### 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 Awal 1433H (corresponding to 8 February 2012). The Commercial Registration number of the Company is 4030223528 dated 27 Rabi Awal 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:

<u>Branch</u>	<u>Commercial Registration Number:</u>
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 1432H (corresponding to 29 June 2011) pursuant to the Council of Ministers' Resolution No 224 dated 25 Rajab 1432H (corresponding to 27 June 2011). As of the date of incorporation, the Company is 77% owned by the Saudi shareholders and the general public and 23% owned by non-Saudi 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. BASIS OF PREPARATION

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 – "Interim Financial Reporting" (IAS 34) and Saudi Arabian Monetary Authority ("SAMA") guidance on accounting for Zakat and Income Tax. The interim condensed financial statements for the three-month and nine month periods ended 30 September 2017 (the "period") do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements as at 31 December 2016.

As required by 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 and allocation is made on consistent basis.

The interim condensed financial statements do not contain all information and disclosures required in the full financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). Accordingly, these interim condensed financial statements should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2016.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

At 30 September 2017

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

**a. 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/>

In case of deficit arising from the insurance operations, the entire deficit is borne by the shareholders' operations.

The interim condensed financial statements are presented in Saudi Arabian Riyals ("SR"), being the functional currency of the Company, and have been rounded off to the nearest thousand, unless otherwise specified.

**b. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies used by the Company for the preparation of these interim condensed financial statements are in accordance with IFRS and are consistent with those used for the preparation of financial statements for the year ended 31 December 2016. The adoption of new IFRS, International Financial Reporting Interpretations Committee Interpretations (IFRIC) and amendments thereof as mentioned in note 2(d) did not have any material impact on these interim condensed financial statements.

**c. USE OF ESTIMATES AND JUDGEMENTS**

The preparation of interim condensed financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the interim condensed financial statements and the reported amounts of revenues and expenses during the interim reported period. Although these estimates and judgements are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. In the opinion of the management, the interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim periods presented.

The estimate and judgments used by management in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended 31 December 2016.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)  
At 30 September 2017

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

d. NEW IFRS, IFRIC AND AMENDMENTS THEREOF, ADOPTED BY THE COMPANY

The Company has adopted the following amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB):

<u>Standard / Amendments</u>	<u>Description</u>
IFRS 12	The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity’s interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. This did not have any impact on the financial statements of the Company as there is no investment in subsidiary, a joint venture or an associate.
IAS 7	Amendments to IAS 7 – “Statement of Cash flows: Disclosure Initiative”. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Company is not required to provide additional disclosures in its interim condensed financial statements, but will disclose additional information in its annual financial statements for the year ending 31 December 2017.

The above mentioned amendments and revisions do not have an impact on the interim condensed financial statements of the Company.

e. 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 interim condensed 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.

<u>Standard/ Amendments</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
IFRS 9	Financial Instruments	1 January 2021
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 2	Amendments to IFRS 2 Classification and Measurement of share-based Payment transactions.	1 January 2018
IAS 40	Amendments to IAS 40 Transfers of investment property.	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance consideration.	1 January 2018
IFRS 1 and IAS 28	Annual Improvements 2016 to IFRS 2014- 2016 cycle.	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2017

3. CASH AND CASH EQUIVALENTS

	<i>30 September 2017 (Unaudited) SR'000</i>	<i>31 December 2016 (Audited) SR'000</i>
<i>Insurance operations</i>		
Cash in banks	7,288	5,937
Cash in hand	29	17
	<u>7,317</u>	<u>5,954</u>
<i>Shareholders' operations</i>		
Cash in banks	32	10,032
Murabaha deposits (see note (a) below)	5,102	82,674
	<u>5,134</u>	<u>92,706</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 not exceeding three months.
- b) Murabaha deposits having original maturity of more than three months but less than a year, amounting to SR 129.3 million (31 December 2016: SR 43.8 million), which are held in Saudi Arabian Riyals in the Kingdom of Saudi Arabia, are presented in the interim statement of financial position of the shareholders' separately.

4. PREMIUMS RECEIVABLE, NET

	<i>30 September 2017 (Unaudited) SR'000</i>	<i>31 December 2016 (Audited) SR'000</i>
Gross premiums receivable	108,318	57,434
Allowance for doubtful premiums receivable	(16,561)	(6,573)
Premiums receivable, net	<u>91,757</u>	<u>50,861</u>

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

	<i>For the nine- month period ended 30 September 2017 (Unaudited) SR'000</i>	<i>For the year ended 31 December 2016 (Audited) SR'000</i>
Balance at beginning of the period/year	6,573	4,827
Provision made during the period/year (note 8)	9,988	1,746
Balance at end of the period/year	<u>16,561</u>	<u>6,573</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2017

5. INVESTMENTS

	<i>30 September 2017 (Unaudited) SR'000</i>	<i>31 December 2016 (Audited) SR'000</i>
Investments held to maturity	20,000	25,028
Fair Value through Income Statement ("FVIS") investments	15,109	9,964
	<u>35,109</u>	<u>34,992</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:

	<i>For the nine- month period ended 30 September 2017 (Unaudited) SR'000</i>	<i>For the year ended 31 December 2016 (Audited) SR'000</i>
Balance at beginning of the period/year	25,028	27,882
Matured and sold during the period/year	(4,975)	(2,813)
Amortization during the period/year - net	(53)	(41)
Balance at end of the period/year	<u>20,000</u>	<u>25,028</u>

**FVIS investments**

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

	<i>For the nine- month period ended 30 September 2017 (Unaudited) SR'000</i>	<i>For the year ended 31 December 2016 (Audited) SR'000</i>
Balance at beginning of the period/year	9,964	41,984
Purchases during the period/year	10,000	6,792
Disposals during the period/year	(5,000)	(39,600)
Changes in fair value during the period/year	145	788
Balance at end of the period/year	<u>15,109</u>	<u>9,964</u>

	<i>30 September 2017 (Unaudited) SR'000</i>	<i>31 December 2016 (Audited) SR'000</i>
Al Badr Murabaha Fund	6,912	1,807
Saudi Istithmar Equity Fund	2,716	2,542
Saudi Fransi GCC IPO Fund	5,481	5,615
	<u>15,109</u>	<u>9,964</u>



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At 30 September 2017

6. OUTSTANDING CLAIMS AND OTHER TECHNICAL RESERVES

	30 September 2017 (unaudited)			31 December 2016 (audited)		
	Gross	Reinsurers'	Net	Gross	Reinsurers'	Net
		share			share	
	SR'000			SR'000		
Outstanding claims and incurred but not reported reserves	36,809	(973)	35,836	27,420	(11,438)	15,982
Total	36,809	(973)	35,836	27,420	(11,438)	15,982

7. SHARE CAPITAL

The authorised, subscribed and paid up share capital of the Company is SR 200 million, divided into 20 million shares of SR 10 each, and subscribed by the following:

	Percentage holding	SR'000
Founding shareholders	60%	120,000
General public	40%	80,000
	100%	200,000

8. GENERAL AND ADMINISTRATION EXPENSES

	Three-month period ended		Nine-month period ended	
	30 September		30 September	
	2017	2016	2017	2016
	SR'000	SR'000	SR'000	SR'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<i>Insurance operations</i>				
Employee costs	8,470	6,586	24,088	19,282
Allowances for doubtful premiums receivable (note 4)	5,185	2,797	9,988	2,952
Depreciation and amortization	367	1,481	2,097	5,073
Rent expenses	298	510	1,974	1,488
Legal and professional fees	225	112	608	354
Repair and maintenance	260	330	812	1,023
Others	1,048	660	2,411	2,119
	15,853	12,476	41,978	32,291

	Three-month period ended		Nine-month period ended	
	30 September		30 September	
	2017	2016	2017	2016
	SR'000	SR'000	SR'000	SR'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<i>Shareholders' operations</i>				
Legal and professional fees	241	150	419	790
Investment related expenses	59	82	173	245
Subscriptions	73	82	177	218
Others	32	19	95	118
	405	333	864	1,371

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At 30 September 2017

9. ZAKAT AND INCOME TAX

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

Zakat

Movement in the zakat payable is as follows:

	<i>For the nine- month period ended 30 September 2017 (Unaudited) SR'000</i>	<i>For the year ended 31 December 2016 (Audited) SR'000</i>
Balance at beginning of the period / year	6,699	4,860
Charge for the current period / year	1,900	2,700
Payments made during the period / year	(701)	(861)
	<u>7,898</u>	<u>6,699</u>

Income tax

As the Company has incurred a loss during the nine-month period ended 30 September 2017 and in previous periods, no provision has been established in respect of income tax in these interim condensed financial statements.

Status of assessments

The Company has filed its Zakat and tax return for the first twelve month period ended 30 June 2012 with the General Authority of Zakat and Tax ("GAZT"). The Company has also filed its Zakat and income tax return for the long period from 8 February 2012 to 31 December 2013 and for the years ended 31 December 2014, 2015 and 2016 and obtained restricted certificates.

Status of assessments (continued)

The GAZT issued final assessment for the years 2011, 2012, 2013 and 2014 with an additional Zakat liability of SR 12.545 million. The Company has filed an appeal against such assessment. The Company submitted an appeal against the GAZT treatment and is confident of a favourable outcome. Accordingly, no provision has been established in this regard in these interim condensed financial statements.

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 GAZT could be different from the declarations filed by the Company. The Zakat is applicable on 82% of the shareholders' while Income Tax on 18% of the shareholders'.

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10. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

a) The related parties comprise founding shareholders, directors and key management personnel. Others include 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 period ended 30 September 2017:

<u>Related party</u>	<u>Nature of transactions</u>	<u>Amount of transactions for the nine-month period ended 30 September</u>		<u>Balance as of 30 September</u>	<u>Balance as of 31 December</u>
		<u>2017</u> <i>(Unaudited)</i> <u>SR'000</u>	<u>2016</u> <i>(Unaudited)</i> <u>SR'000</u>	<u>2017</u> <i>(Unaudited)</i> <u>SR'000</u>	<u>2016</u> <i>(Audited)</i> <u>SR'000</u>
Related parties of Juffali Group – (affiliates)	Premiums written	2,605	2,781	3,848	1,862
	Office rent	30	30	-	-
	Purchase of computer equipment, licenses, vehicles and other services	200	291	-	-
	Claims paid	2,206	2,727	-	-
	Commission paid	133	129	-	9
Munich Re (shareholder)	Reinsurance ceded	(1,153)	35,869	-	17,509
	Claims recovered	18,596	21,495	10,772	14,173
	Other recoveries	-	-	1,587	1,587
Key management personnel	Short-term benefits	3,044	3,418	-	-
	Long-term benefits	111	106	355	244

- c) Amounts due from / to related parties are disclosed in the interim statement of financial position.  
d) Amounts relating to reinsurance receivable and reinsurance balance payable are disclosed in the interim statement of financial position.  
e) Amounts due from shareholders' operations represent loss transferred to shareholder operations net of funds received during the period.  
f) Transactions with related parties are approved by the Board of Directors and by the shareholders in the Annual General Assembly Meeting.

11. STATUTORY DEPOSIT

As required by the Saudi Arabian Insurance Regulations, the Company deposited an amount equivalent to 15% of its paid up share capital, amounting to SR 30 million, in a bank designated by the Saudi Arabian Monetary Authority ("SAMA"). This statutory deposit cannot be withdrawn without the consent of SAMA, and commission accruing on this deposit is payable to SAMA.

12. SEGMENT INFORMATION

The Company only issues insurance contracts for providing health care services ('medical insurance') and all the insurance operations of the Company are carried out in the Kingdom of Saudi Arabia. The insurance operations are being monitored by management under one segment; hence no separate information is required.

13. EARNINGS / (LOSS) PER SHARE

The earnings / (loss) per share has been calculated by dividing the net income / (loss) for the period by the weighted average number of ordinary shares issued and outstanding at the period end. Diluted Income / (loss) per share is not applicable for the Company.

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

At 30 September 2017

**14. 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, amounts due from a related party and amount due from shareholder's 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.

- 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 30 September 2017 and 31 December 2016, all financial instruments, which are fair valued, are Level 2 instruments. There were no transfers between levels during the nine-month period ended 30 September 2017.

**15. COMPARATIVE FIGURES**

Certain of the prior period amounts have been reclassified to conform to the presentation in the current period.

**16. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS**

The interim condensed financial statements were approved and authorized for issue by the Board of Directors on 24 October 2017 corresponding to 04 Safar 1439H.