

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

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH AND TWELVE -MONTH
PERIODS ENDED 31 DECEMBER 2017**

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED 31 DECEMBER
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 31 December 2017 and the related interim statements of insurance operations and accumulated surplus, shareholders' operations, comprehensive income for the three-month and twelve-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 twelve-month period then ended and the notes from 1 to 17 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 – ("IAS34") "Interim Financial Reporting" as modified by Saudi Arabian Monetary Authority ("SAMA") for the accounting of 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" That is 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) as modified by SAMA for the accounting of Zakat and Income Tax.

for PKF Al Bassam & Co.
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



12 February 2018
26 Jumada Al-Awwal 1439H
Jeddah, Kingdom of Saudi Arabia

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

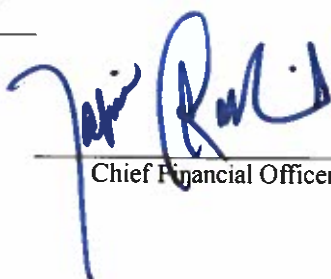
INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

		<i>31 December 2017 (Unaudited) SR'000</i>	<i>31 December 2016 (Audited) SR'000</i>
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	32,389	5,954
Premiums receivable, net	4	114,890	50,861
Amounts due from shareholders' operations		36,716	23,994
Reinsurance receivable		4,008	14,173
Reinsurers' share of unearned premiums		-	9,424
Reinsurers' share of outstanding claims	6	798	11,438
Deferred policy acquisition costs		8,924	2,511
Prepayments and other assets		27,806	2,806
Intangible assets		1,396	3,302
Furniture, fittings and office equipment		1,930	1,366
Total insurance operations' assets		228,857	125,829
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	423	92,706
Murabaha deposits	3(b)	134,863	43,810
Investments	5	34,489	34,992
Prepayments and other assets		921	1,125
Commission on statutory deposit		1,460	1,411
Statutory deposit	11	30,000	30,000
Total shareholders' assets		202,156	204,044
TOTAL ASSETS		431,013	329,873



Chairman



Chief Financial Officer



Chief Executive Officer

The accompanying notes 1 to 17 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 31 December 2017

	<i>Notes</i>	<i>31 December 2017 (Unaudited) SR'000</i>	<i>31 December 2016 (Audited) SR'000</i>
INSURANCE OPERATIONS' LIABILITIES			
Insurance operations' liabilities			
Unearned premiums		148,377	64,740
Outstanding claims and other technical reserves	6	48,650	27,420
Reinsurance balance payable		4,881	17,509
Accrued expenses and other liabilities		26,949	16,160
Total insurance operations' liabilities		228,857	125,829
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued expenses and other liabilities		267	193
Accrued Zakat	9	8,298	6,699
Amounts due to insurance operations		36,716	23,994
Commission on statutory deposit payable to SAMA		1,460	1,411
Total shareholders' liabilities		46,741	32,297
Shareholders' equity			
Share capital	7	200,000	200,000
Accumulated losses		(44,585)	(28,253)
Total shareholders' equity		155,415	171,747
Total shareholders' liabilities and equity		202,156	204,044
TOTAL INSURANCE OPERATIONS' LIABILITIES, SHAREHOLDERS' LIABILITIES AND SHAREHOLDERS' EQUITY		431,013	329,873



Chairman



Chief Financial Officer



Chief Executive Officer

The accompanying notes 1 to 17 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 twelve-month periods ended 31 December 2017

	Notes	Three-month period ended 31 December		Twelve-month period ended 31 December	
		2017	2016	2017	2016
		SR'000 (Unaudited)	SR'000 (Unaudited)	SR'000 (Unaudited)	SR'000 (Audited)
REVENUE					
Gross written premiums		100,154	39,525	274,822	128,825
Less: Premiums ceded		-	5,175	1,153	(30,694)
Excess of loss premiums		(4,790)	(1,105)	(7,832)	(1,105)
Net written premiums		95,364	43,595	268,143	97,026
Movement in net unearned premiums		(35,956)	(23,114)	(93,061)	(34,629)
Net premiums earned		59,408	20,481	175,082	62,397
CLAIMS					
Gross claims paid		39,201	14,941	111,574	57,230
Less: Reinsurers' share		(3,150)	(7,416)	(24,292)	(28,911)
Net claims paid		36,051	7,525	87,282	28,319
Movement in net outstanding claims and other technical reserves		12,016	1,906	31,870	5,569
Net claims incurred		48,067	9,431	119,152	33,888
Policy acquisition cost		3,402	979	9,910	4,115
Other underwriting expenses		1,773	3,061	4,783	4,960
Net underwriting expenses		53,242	13,471	133,845	42,963
Net underwriting result		6,166	7,010	41,237	19,434
Other income		11	-	61	14
EXPENSES					
Selling and marketing		(1,412)	(1,219)	(5,682)	(4,444)
General and administration	8	(9,602)	(11,341)	(51,580)	(43,631)
DEFICIT FROM INSURANCE OPERATIONS		(4,837)	(5,550)	(15,964)	(28,627)
Shareholders' share of deficit from insurance operations	2(a)	4,837	5,550	15,964	28,627
Policyholders' share of surplus from insurance operations		-	-	-	-


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

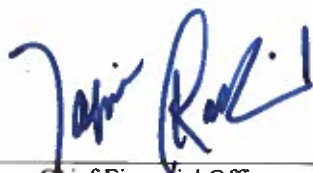
INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS

For the three-month and twelve-month periods ended 31 December 2017

	Notes	Three-month period ended 31 December (Unaudited)		Twelve-month period ended 31 December (Unaudited)	
		2017 SR'000 (Unaudited)	2016 SR'000 (Unaudited)	2017 SR'000 (Unaudited)	2016 SR'000 (Audited)
Shareholders' share of deficit from insurance operations	2(a)	(4,837)	(5,550)	(15,964)	(28,627)
EXPENSES					
General and administration	8	(399)	(787)	(1,263)	(2,159)
		(5,236)	(6,337)	(17,227)	(30,786)
Investment income		507	1,856	3,195	4,962
NET LOSS FOR THE PERIOD		(4,729)	(4,481)	(14,032)	(25,824)
Weighted average number of ordinary shares outstanding (in thousands)		20,000	20,000	20,000	20,000
Loss per share (in Saudi Riyals)	13	(0.23)	(0.22)	(0.70)	(1.29)



Chairman



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

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three-month and twelve-month periods ended 31 December 2017

Note	<i>Three-month period ended 31 December</i>		<i>Twelve-month period ended 31 December</i>	
	<i>2017 SR'000 (Unaudited)</i>	<i>2016 SR'000 (Unaudited)</i>	<i>2017 SR'000 (Unaudited)</i>	<i>2016 SR'000 (Audited)</i>
NET LOSS FOR THE PERIOD	(4,729)	(4,481)	(14,032)	(25,824)
<i>Items that are or may be reclassified subsequently to statement of Shareholders' Operations:</i>				
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(4,729)	(4,481)	(14,032)	(25,824)



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 twelve-month period ended 31 December 2017

<i>For the twelve-month period ended 31 December 2017</i>			
	<i>Share capital</i>	<i>Accumulated losses</i>	<i>Total</i>
	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>
Balance as at 1 January 2017 <i>(audited)</i>	200,000	(28,253)	171,747
Net loss for the period	-	(14,032)	(14,032)
Zakat charge for the period (Note 9)	-	(2,300)	(2,300)
Balance at 31 December 2017 <i>(unaudited)</i>	200,000	(44,585)	155,415

<i>For the twelve-month period ended 31 December 2016</i>			
	<i>Share capital</i>	<i>Accumulated losses</i>	<i>Total</i>
	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>
Balance as at 1 January 2016 <i>(audited)</i>	400,000	(199,729)	200,271
Reduction of Share Capital	(200,000)	200,000	-
Net loss for the period	-	(25,824)	(25,824)
Zakat charge for the period (Note 9)	-	(2,700)	(2,700)
Balance at 31 December 2016 <i>(audited)</i>	200,000	(28,253)	171,747


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The accompanying notes 1 to 17 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' CASH FLOWS
For the twelve-month period ended 31 December 2017

	<i>Twelve-month period ended 31 December 2017 (Unaudited) SR'000</i>	<i>Twelve -month period ended 31 December 2016 (Audited) SR'000</i>
<i>Notes</i>		
OPERATING ACTIVITIES		
Policyholders' share of surplus from Insurance Operations	-	-
Adjustments for:		
Depreciation	484	1,262
Amortization of intangible assets	1,973	5,219
Gain on sale of furniture, fittings and office equipment	(50)	-
Reinsurers' share of unearned premium	9,424	4,201
Deferred policy acquisition costs	(6,413)	(1,152)
Unearned premiums	83,637	30,428
Net movement in allowance for doubtful premiums receivable	9,896	1,746
Net movement in provision for premium deficiency reserve	-	(3,266)
	<u>98,951</u>	<u>38,438</u>
Changes in assets and liabilities:		
Premiums receivable	(73,925)	(30,673)
Reinsurance receivable	10,165	(9,407)
Reinsurer's share of outstanding claims	10,640	(9,340)
Prepayments and other assets	(25,000)	(416)
Outstanding claims and other technical reserves	21,230	18,175
Reinsurance balance payable	(12,628)	3,252
Amounts due from / (to) Shareholders' Operations	(12,722)	(6,589)
Accrued expenses and other liabilities	10,789	3,815
	<u>27,500</u>	<u>7,255</u>
Net cash from operating activities	<u>27,500</u>	<u>7,255</u>
INVESTING ACTIVITIES		
Purchase of furniture, fittings and office equipment	(1,048)	(167)
Intangible assets acquired	(67)	(2,037)
Proceeds from sale of furniture, fittings and office equipment	50	-
	<u>(1,065)</u>	<u>(2,204)</u>
Net cash used in investing activities	<u>(1,065)</u>	<u>(2,204)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>26,435</u>	<u>5,051</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>5,954</u>	<u>903</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>32,389</u>	<u>5,954</u>



Chairman



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Chief Executive Officer

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS
For the twelve-month period ended 31 December 2017

		<i>Twelve-month period ended 31 December 2017 (Unaudited) SR'000</i>	<i>Twelve-month period ended 31 December 2016 (Audited) SR'000</i>
	<i>Notes</i>		
OPERATING ACTIVITIES			
Net loss for the period		(14,032)	(25,824)
Adjustments for:			
Fair value loss / (gain) on investments	5	130	(788)
Amortization of discount – net	5	53	41
Gain on disposal of investments		-	(182)
		<u>(13,849)</u>	<u>(26,753)</u>
Changes in assets and liabilities:			
Prepayments and other assets		155	(1,424)
Amounts due from / to Insurance Operations		12,722	6,589
Accrued expenses and other liabilities		123	352
		<u>(849)</u>	<u>(21,236)</u>
Zakat paid		(701)	(861)
Net cash used in operating activities		<u>(1,550)</u>	<u>(22,097)</u>
INVESTING ACTIVITIES			
Murabaha deposits placed	3(b)	(91,053)	(43,810)
Proceed from encashment of murabaha deposits		-	54,700
Statutory deposit		-	10,000
Proceeds from maturity of held to maturity investments		-	2,813
Purchase of investments	5	(16,851)	(6,792)
Proceeds from disposal of investments	5	17,171	39,782
Net cash (used in) / from investing activities		<u>(90,733)</u>	<u>56,693</u>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(92,283)	34,596
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		92,706	58,110
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	3	423	92,706


Chairman


Chief Financial Officer


Chief Executive Officer

The accompanying notes 1 to 17 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 31 December 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. STATEMENT OF COMPLIANCE

The interim condensed financial statements of the Company have been prepared in accordance with International Accounting Standard (IAS) 34 - Interim Financial Reporting as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax, which requires, adoption of all IFRS as issued by the International Accounting Standards Board ("IASB") except for the application of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" so far as these relate to zakat and income tax. As per the SAMA Circular no. 381000074519 dated 11 April 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax ("SAMA Circular"), the zakat and income tax are to be accrued on a quarterly basis through shareholders' equity under retained earnings. As the Company's accounting policy for the zakat and income tax has always been consistent with the SAMA's new guidance, the adoption of the guidance has not resulted in any changes in the accounting policies, accounting treatment or amounts reported in current or prior years/periods.

These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2016.

b. BASIS OF PREPARATION

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 31 December 2017

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 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.

c. 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.

d. 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 31 December 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 has 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 31 December 2017

3. CASH AND CASH EQUIVALENTS

	<i>31 December 2017 (Unaudited) SR'000</i>	<i>31 December 2016 (Audited) SR'000</i>
<i>Insurance operations</i>		
Cash in banks	32,360	5,937
Cash in hand	29	17
	<u>32,389</u>	<u>5,954</u>
<i>Shareholders' operations</i>		
Cash in banks	27	10,032
Murabaha deposits (see note (a) below)	396	82,674
	<u>423</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 134.9 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>31 December 2017 (Unaudited) SR'000</i>	<i>31 December 2016 (Audited) SR'000</i>
Gross premiums receivable	131,359	57,434
Allowance for doubtful premiums receivable	(16,469)	(6,573)
Premiums receivable, net	<u>114,890</u>	<u>50,861</u>

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

	<i>For the twelve- month period ended 31 December 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)	9,896	1,746
Balance at end of the period/year	<u>16,469</u>	<u>6,573</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 December 2017

5. INVESTMENTS

	<i>31 December 2017 (Unaudited) SR'000</i>	<i>31 December 2016 (Audited) SR'000</i>
Investments held to maturity	26,851	25,028
Fair Value through Income Statement ("FVIS") investments	7,638	9,964
	<u>34,489</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 twelve- month period ended 31 December 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
Purchases during the period/year	6,851	-
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>26,851</u>	<u>25,028</u>

FVIS investments

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

	<i>For the twelve- month period ended 31 December 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	(12,196)	(39,600)
Changes in fair value during the period/year	(130)	788
Balance at end of the period/year	<u>7,638</u>	<u>9,964</u>
	<i>31 December 2017 (Unaudited) SR'000</i>	<i>31 December 2016 (Audited) SR'000</i>
Al Badr Murabaha Fund	6,930	1,807
Saudi Istithmar Equity Fund	-	2,542
Saudi Fransi GCC IPO Fund	708	5,615
	<u>7,638</u>	<u>9,964</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 December 2017

6. OUTSTANDING CLAIMS AND OTHER TECHNICAL RESERVES

	31 December 2017 (unaudited)			31 December 2016 (audited)		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	SR'000			SR'000		
Outstanding claims and incurred but not reported reserves	48,650	(798)	47,852	27,420	(11,438)	15,982
Total	48,650	(798)	47,852	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 31 December		Twelve-month period ended 31 December	
	2017	2016	2017	2016
	SR'000 (Unaudited)	SR'000 (Unaudited)	SR'000 (Unaudited)	SR'000 (Audited)
Insurance operations				
Employee costs	7,611	9,037	31,699	28,319
Allowances for doubtful premiums receivable (note 4)	(92)	(1,206)	9,896	1,746
Depreciation and amortization	360	1,408	2,457	6,481
Rent expenses	286	641	2,260	2,129
Legal and professional fees	321	469	929	823
Repair and maintenance	412	300	1,224	1,323
Others	704	692	3,115	2,810
	9,602	11,341	51,580	43,631

	Three-month period ended 31 December		Twelve-month period ended 31 December	
	2017	2016	2017	2016
	SR'000 (Unaudited)	SR'000 (Unaudited)	SR'000 (Unaudited)	SR'000 (Audited)
Shareholders' operations				
Legal and professional fees	238	604	657	1,393
Investment related expenses	57	66	231	311
Subscriptions	73	82	251	300
Others	31	35	124	155
	399	787	1,263	2,159

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 December 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 twelve- month period ended 31 December 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	2,300	2,700
Payments made during the period / year	(701)	(861)
Balance at end of the period / year	<u>8,298</u>	<u>6,699</u>

Income tax

As the Company has incurred a loss during the twelve-month period ended 31 December 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.

The GAZT issued final assessment for the years 2011 through 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 favorable outcome. Accordingly, no provision has been established in this regard in these interim condensed financial statements.

During 2017, the Company filed an appeal to the Appellate Committee for Zakat and Tax Appeal ("ACZTA") against the Preliminary Objection Committee's ("POC") decision for the years 2011 through 2014 and lodged a bank guarantee of SR 12.545 million (note 14), with respect to additional zakat liability.

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 81% of the shareholders' while Income Tax on 19% of the shareholders'.

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At 31 December 2017

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 31 December 2017:

<i><u>Related party</u></i>	<i><u>Nature of transactions</u></i>	<i>Amount of transactions for the twelve-month period ended 31 December</i>		<i>Balance as of 31 December 2017</i>	<i>Balance as of 31 December 2016</i>
		<i>(Unaudited) SR'000</i>	<i>(Audited) SR'000</i>	<i>(Unaudited) SR'000</i>	<i>(Audited) SR'000</i>
Related parties of Juffali Group – (affiliates)	Premiums written	2,691	2,816	2,757	1,862
	Office rent	30	30	-	-
	Purchase of computer equipment, licenses, vehicles and other services	200	482	-	-
	Claims paid	3,067	3,477	-	-
	Commission paid	153	160	-	9
Munich Re (shareholder)	Reinsurance ceded	(1,153)	30,695	-	17,509
	Claims recovered	18,596	28,911	-	14,173
	Other recoveries	-	-	1,587	1,587
Key management personnel	Short-term benefits	4,063	4,373	-	-
	Long-term benefits	149	142	393	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. LOSS PER SHARE

Loss per share has been calculated by dividing the net loss for the period by the weighted average number of ordinary shares issued and outstanding at the period end. Diluted loss per share is not applicable for the Company.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

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14. CONTINGENT LIABILITY

As at 31 December 2017, the Company has a letter of guarantee amounting to SR 12.545 million (31 December 2016: Nil) in favour of General Authority of Zakat and Tax (GAZT) (see note 9). A margin of SR 12.545 million (31 December 2016: Nil) being deposited with a bank for this purpose and is included in prepayments and other assets in the interim statement of financial position of insurance operations.

15. 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 31 December 2017 and 31 December 2016, all financial instruments, which are fair valued, are Level 2 instruments. There were no transfers between levels during the twelve-month period ended 31 December 2017.

16. COMPARATIVE FIGURES

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

17. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements were approved and authorized for issue by the Board of Directors on 25 January 2018 corresponding to 8 Jumada Al-Awwal 1439H.