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METLIFE, AMERICAN INTERNATIONAL GROUP  
AND ARAB NATIONAL BANK COOPERATIVE  
INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT

31 DECEMBER 2015

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MetLife, American International Group and Arab National Bank  
Cooperative Insurance Company  
(A Saudi Joint Stock Company)

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FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT  
For the year ended 31 December 2015

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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
METLIFE, AMERICAN INTERNATIONAL GROUP AND ARAB NATIONAL BANK  
COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**SCOPE OF AUDIT:**

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

**UNQUALIFIED OPINION:**

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

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

**EMPHASIS OF A 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 issued by the Saudi Organization for Certified Public Accountants.

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Allied Accountants  
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Riyadh 11437  
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**Abdullah M. Al Basri**  
Certified Public Accountant  
Registration No. 171



7 Jumaada al-awal 1437H  
(16 February 2016)

MetLife, American International Group and Arab National Bank  
Cooperative Insurance Company  
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION  
As at 31 December 2015

	Notes	2015 SR	2014 SR
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	5	64,689,241	2,238,414
Premiums receivable, net	6	35,661,423	3,421,552
Reinsurers' share of unearned premiums	14	27,622,732	3,251,099
Reinsurers' share of mathematical reserves	1.1	251,654,626	-
Reinsurers' share of outstanding claims	7	19,923,644	499,799
Deferred policy acquisition costs	8	4,857,863	469,688
Prepaid expenses and other assets	9	13,750,066	2,967,767
Due from shareholders operations		8,010,111	-
Property and equipment, net	10	5,757,153	8,054,849
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>		<b>431,926,859</b>	<b>20,903,168</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	5	66,314,800	11,157,980
Held to maturity investment	12(i)	10,000,000	-
Due from insurance operations		-	5,028,658
Prepaid expenses and other assets	9	944,930	113,623
Time deposits	11	-	85,000,000
Available for sale investment	12(ii)	3,175,163	3,175,163
Statutory deposit	13	17,674,521	17,500,000
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>98,109,414</b>	<b>121,975,424</b>
<b>TOTAL INSURANCE OPERATIONS' AND SHAREHOLDERS' ASSETS</b>		<b>530,036,273</b>	<b>142,878,592</b>



Managing Director/  
Chief Executive Officer



Chief Financial Officer

The accompanying notes 1 to 29 form an integral part of these financial statements.

MetLife, American International Group and Arab National Bank  
Cooperative Insurance Company  
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2015

	Notes	2015 SR	2014 SR
<b>INSURANCE OPERATIONS' LIABILITIES</b>			
Gross unearned premiums	14	92,031,067	4,709,142
Gross outstanding claims	7	39,652,073	787,530
Gross mathematical reserves	1.1	251,654,626	-
Payables, accruals and others	15	12,871,984	4,362,884
Reinsurance balances payable		29,875,305	2,927,713
Unearned reinsurance commission income	16	3,754,021	881,472
Due to related parties	17	1,050,297	1,822,887
Due to shareholders' operations		-	5,028,658
Employees' terminal benefits	18	1,037,486	382,882
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES</b>		<b>431,926,859</b>	<b>20,903,168</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>SHAREHOLDERS' LIABILITIES</b>			
Zakat	19	615,473	-
Payables, accruals and others	15	907,581	1,286,173
Due to insurance operations		8,010,111	-
<b>TOTAL SHAREHOLDERS' LIABILITIES</b>		<b>9,533,165</b>	<b>1,286,173</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	20	175,000,000	175,000,000
Accumulated deficit		(86,423,751)	(54,310,749)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>88,576,249</b>	<b>120,689,251</b>
<b>TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>98,109,414</b>	<b>121,975,424</b>
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES AND SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>530,036,273</b>	<b>142,878,592</b>



Managing Director/  
Chief Executive Officer



Chief Financial Officer

The accompanying notes 1 to 29 form an integral part of these financial statements.



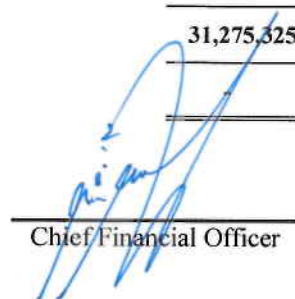
MetLife, American International Group and Arab National Bank  
Cooperative Insurance Company  
(A Saudi Joint Stock Company)

STATEMENT OF INSURANCE OPERATIONS  
For the year ended 31 December 2015

	Notes	For the year ended 31 December 2015 SR	For the period from 29 August 2013 to 31 December 2014 SR
Gross written premiums	14	144,740,920	5,741,138
Reinsurance premiums ceded	14	(47,695,383)	(3,917,498)
Excess of loss premiums	14	(380,483)	(67,026)
<b>NET WRITTEN PREMIUMS</b>		<b>96,665,054</b>	<b>1,756,614</b>
Net change in unearned premiums	14	(62,950,291)	(1,458,043)
<b>NET EARNED PREMIUMS</b>		<b>33,714,763</b>	<b>298,571</b>
Reinsurance commission earned	16	4,650,695	172,039
Other underwriting income		1,933,163	500
<b>UNDERWRITING REVENUE</b>		<b>40,298,621</b>	<b>471,110</b>
Gross paid claims		(41,389,428)	-
Reinsurers' share of paid claims		29,865,188	-
<b>NET CLAIMS PAID</b>		<b>(11,524,240)</b>	<b>-</b>
Net changes in outstanding claims	7	(19,440,698)	(287,731)
<b>NET CLAIMS INCURRED</b>		<b>(30,964,938)</b>	<b>(287,731)</b>
Commission incurred	8	(3,284,661)	(136,589)
Other direct underwriting expense		(943,238)	(38,449)
Provision of doubtful debt expenses	6 (b)	(1,232,300)	(90,827)
<b>UNDERWRITING EXPENSES</b>		<b>(36,425,137)</b>	<b>(553,596)</b>
<b>UNDERWRITING RESULTS</b>		<b>3,873,484</b>	<b>(82,486)</b>
General and administration expenses	21	(35,304,973)	(20,203,323)
Special commission income	5	156,164	-
<b>NET DEFICIT FOR THE YEAR/PERIOD FROM INSURANCE OPERATIONS</b>		<b>(31,275,325)</b>	<b>(20,285,809)</b>
Shareholders' appropriation from deficit		31,275,325	20,285,809
<b>NET RESULT FOR THE YEAR/PERIOD</b>		<b>-</b>	<b>-</b>



Managing Director/  
Chief Executive Officer



Chief Financial Officer

The accompanying notes 1 to 29 form an integral part of these financial statements.

MetLife, American International Group and Arab National Bank  
Cooperative Insurance Company  
(A Saudi Joint Stock Company)

STATEMENT OF SHAREHOLDERS' COMPREHENSIVE OPERATIONS  
For the year ended 31 December 2015

		<i>For the year ended 31 December 2015</i>	<i>For the period from 29 August 2013 to 31 December 2014</i>
	<i>Notes</i>	<i>SR</i>	<i>SR</i>
Appropriation of deficit from insurance operations		(31,275,325)	(20,285,809)
Special commission income	5	623,569	792,878
Dividend income		339,103	-
General and administrative expenses	21	(1,184,876)	(12,842,587)
<b>LOSSES INCURRED DURING THE YEAR/PERIOD</b>		<b>(31,497,529)</b>	<b>(32,335,518)</b>
Pre-incorporation expenses, net	22	-	(11,335,620)
<b>NET LOSS BEFORE ZAKAT FOR THE YEAR/PERIOD</b>		<b>(31,497,529)</b>	<b>(43,671,138)</b>
Zakat	19	(615,473)	(1,242,671)
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR /PERIOD</b>		<b>(32,113,002)</b>	<b>(44,913,809)</b>
<b>LOSS PER SHARE:</b>			
Basic and diluted loss per share	24	(1.80)	(2.50)



Managing Director/  
Chief Executive Officer




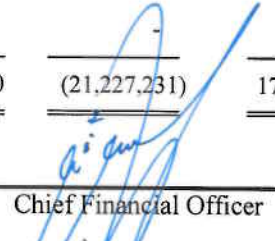
Chief Financial Officer

The accompanying notes 1 to 29 form an integral part of these financial statements.

MetLife, American International Group and Arab National Bank  
Cooperative Insurance Company  
(A Saudi Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2015

	<i>Saudi Shareholders</i>		<i>Foreign Shareholders</i>		<i>Total Shareholders</i>		
	<i>Share capital SR</i>	<i>Accumulated deficit SR</i>	<i>Share capital SR</i>	<i>Accumulated deficit SR</i>	<i>Share capital SR</i>	<i>Accumulated deficit SR</i>	<i>Total SR</i>
<b>Balance as at 1 January 2015</b>	105,000,000	(33,083,518)	70,000,000	(21,227,231)	175,000,000	(54,310,749)	<b>120,689,251</b>
Net loss for the year	-	(18,898,517)	-	(12,599,012)	-	(31,497,529)	<b>(31,497,529)</b>
Zakat	-	(615,473)	-	-	-	(615,473)	<b>(615,473)</b>
<b>Balance as at 31 December 2015</b>	<u>105,000,000</u>	<u>(52,597,508)</u>	<u>70,000,000</u>	<u>(33,826,243)</u>	<u>175,000,000</u>	<u>(86,423,751)</u>	<b><u>88,576,249</u></b>
Balance as at 29 August 2013	-	-	-	-	-	-	-
Issue of share capital	105,000,000	-	70,000,000	-	175,000,000	-	<b>175,000,000</b>
Transaction costs on issue of share capital (Note 20)	-	(5,638,164)	-	(3,758,776)	-	(9,396,940)	<b>(9,396,940)</b>
Net loss for the period	-	(26,202,683)	-	(17,468,455)	-	(43,671,138)	<b>(43,671,138)</b>
Zakat	-	(1,242,671)	-	-	-	(1,242,671)	<b>(1,242,671)</b>
Balance as at 31 December 2014	<u>105,000,000</u>	<u>(33,083,518)</u>	<u>70,000,000</u>	<u>(21,227,231)</u>	<u>175,000,000</u>	<u>(54,310,749)</u>	<b><u>120,689,251</u></b>
							
	Managing Director/ Chief Executive Officer		Chief Financial Officer				

The accompanying notes 1 to 29 form an integral part of these financial statements.



MetLife, American International Group and Arab National Bank  
Cooperative Insurance Company  
(A Saudi Joint Stock Company)

STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the year ended 31 December 2015

	Note	For the year ended 31 December 2015 SR	For the period from 29 August 2013 to 31 December 2014 SR
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net result for the period		(31,275,325)	(20,285,809)
<i>Adjustments for:</i>			
Depreciation	10	2,734,027	2,036,910
Provision for doubtful receivables	6(b)	1,232,300	90,827
Employees' terminal benefits	18	667,249	257,021
		(26,641,749)	(17,901,051)
<i>Changes in operating assets and liabilities:</i>			
Premiums receivable		(33,472,171)	(3,512,379)
Reinsurers' share of outstanding claims		(19,423,845)	(499,799)
Reinsurers' share of unearned premiums		(24,371,633)	(3,251,099)
Reinsurers' share of mathematical reserves		(251,654,626)	-
Deferred policy acquisition costs		(4,388,175)	(469,688)
Prepaid expenses and other assets		(10,782,299)	(2,967,767)
Gross outstanding claims		38,864,543	787,530
Gross unearned premiums		87,321,925	4,709,142
Gross mathematical reserves		251,654,626	-
Payables, accruals and others		8,509,100	4,362,884
Reinsurance balances payable		26,947,592	2,927,713
Unearned reinsurance commission income		2,872,549	881,472
Due to related parties		(772,590)	1,822,887
Due to/from shareholders' operations		18,236,556	16,677,005
		89,541,552	21,467,901
Employees' terminal benefits paid	18	(12,645)	-
Net cash generated from operating activities		62,887,158	3,566,850
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment	10	(436,331)	(1,328,436)
Net cash used in investing activities		(436,331)	(1,328,436)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		62,450,827	2,238,414
Cash and cash equivalents at the beginning of the year/period		2,238,414	-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD</b>			
	5	64,689,241	2,238,414

  
\_\_\_\_\_  
Managing Director/  
Chief Executive Officer

  
\_\_\_\_\_  
Chief Financial Officer

The accompanying notes 1 to 29 form an integral part of these financial statements.

MetLife, American International Group and Arab National Bank  
Cooperative Insurance Company  
(A Saudi Joint Stock Company)

STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the year ended 31 December 2015

	Notes	For the year ended 31 December 2015 SR	For the period from 29 August 2013 to 31 December 2014 SR
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net loss before Zakat		(31,497,529)	(43,671,138)
<i>Adjustments for:</i>			
Appropriation of deficit from insurance operations		31,275,325	20,285,809
Depreciation		-	2,978,870
Special commission income		(623,569)	(792,878)
Dividends		(339,103)	-
Employees' terminal benefits		-	125,861
		(1,184,876)	(21,073,476)
<i>Changes in operating assets and liabilities:</i>			
Statutory deposit		(174,521)	(17,500,000)
Due to/from insurance operations		(18,236,556)	(16,677,005)
Prepaid expenses and other assets		(410,896)	(3,993)
Payables, accruals and others		(378,592)	1,286,173
Due to related parties		-	(5,292,304)
		(19,200,565)	(38,187,129)
Zakat paid	19(c)	-	(1,242,671)
Net cash used in operating activities		(20,385,441)	(60,503,276)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment	10	-	(11,742,193)
Purchase of held to maturity investment	12(i)	(10,000,000)	-
Time deposits	11	85,000,000	(85,000,000)
Available for sale investment	12(ii)	-	(3,175,163)
Special commission income received		542,261	683,248
Net cash generated from/(used in) investing activities		75,542,261	(99,234,108)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Issue of share capital		-	175,000,000
Transaction costs on issue of share capital		-	(4,104,636)
Net cash from financing activities		-	170,895,364
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>55,156,820</b>	<b>11,157,980</b>
Cash and cash equivalents at the beginning of the year/period		11,157,980	-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD</b>	<b>5</b>	<b>66,314,800</b>	<b>11,157,980</b>



Managing Director/  
Chief Executive Officer



Chief Financial Officer

The accompanying notes 1 to 29 form an integral part of these financial statements.

MetLife, American International Group and Arab National Bank  
Cooperative Insurance Company  
(A Saudi Joint Stock Company)

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

**1 ORGANISATION AND PRINCIPAL ACTIVITIES**

MetLife, American International Group and Arab National Bank Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration numbered 1010391438 dated 22 Dhul-Hijjah 1434H (corresponding to 27 October 2013).

The address of registered office of the Company is as follows:

MetLife, American International Group and Arab National Bank Cooperative Insurance Company  
P.O. Box 56437  
Riyadh 11554  
Kingdom of Saudi Arabia.

The objective of the Company is to transact cooperative insurance operations and related activities in accordance with the Law on Supervision of Cooperative Insurance Companies and its implementing regulations applicable in the Kingdom of Saudi Arabia. Its principal lines of business include individual and group life, accident and health and all classes of general insurance. The Company's shares were listed on the Saudi Arabian Stock Exchange ("Tadawul") on 23 Muharram 1435H (corresponding to 26 November 2013).

As per the Company's bye-laws, the Company's first fiscal year commenced on the date of the Ministerial Resolution declaring the incorporation of the Company, which was on 22 Shawwal 1434H (corresponding to 29 August 2013) and ended on 31 December 2014. Accordingly, the Company prepared its statutory financial statements of the Company which covered the period from 29 August 2013 to 31 December 2014.

The Company completed the legal formalities for incorporation on 29 August 2013. The founding shareholders commenced the pre-incorporation activities from 18 January 2012. All related income and expenses for the period from 18 January 2012 to 28 August 2013 are classified as "pre-incorporation expenses, net" in the statement of shareholders' comprehensive operations.

The Saudi Arabian Monetary Agency ("SAMA") has provided the Company with the final approval to conduct insurance business in the Kingdom of Saudi Arabia on 25 February 2014.

The Company launched its insurance operations on 1 April 2014 after receipt of an authorisation from SAMA to commence insurance operations as product approval and related formalities were completed.

**1.1 METLIFE ALICO PORTFOLIO TRANSFER**

The Company has entered into an agreement with MetLife ALICO (30% shareholder) by which MetLife ALICO has transferred its existing Saudi run-off portfolio to the Company effective 01 April 2015. This portfolio includes long-term life Protection and Savings insurance products and Personal Accident policies. The Company reinsures back to MetLife 100% of this portfolio under a quota-share reinsurance agreement. Accordingly, the Company has become the owner of the transferred policies and MetLife has become the reinsurer of this block of business. The transfer of the portfolio was made at book value with no cash payment. Accordingly, the liabilities related to this portfolio were recorded in the Company's books at book value with offsetting assets representing the reinsurance share of these liabilities. MetLife paid a reinsurance commission amounting to SR 2,121,942 till 31 December 2015 to the Company to compensate the cost of capital for this portfolio in addition to reimbursing the Company for all expenses related to the administration of this portfolio by paying an administration fee amounting to SR 754,181 till 31 December 2015 which is booked under "Other underwriting income".

MetLife, American International Group and Arab National Bank  
Cooperative Insurance Company  
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS  
31 December 2015 (Continued)

The portfolio transfer has been approved by the Board of Directors on 16 February 2015 and by the shareholders of the Company in their General Assembly meeting on 12 May 2015. Saudi Arabian Monetary Agency ("SAMA") has also provided their approval on 28/5/1436 H corresponding to 19 March 2015.

Assets and liabilities of the transferred portfolio as at 31 December 2015 are shown as below:

	<u>Assets</u>		<u>Liabilities</u>
Cash and Cash equivalents	9,448,346	Gross unearned premiums	725,003
Reinsurers' share of unearned premiums	725,003	Gross outstanding claims	12,515,083
Reinsurers' share of mathematical reserves	251,654,626	Gross mathematical reserves	251,654,626
Reinsurers' share of outstanding claims	12,515,083	Reinsurance balances payable	7,505,330
Receivable & other assets	379,409	Payable and other liabilities	2,322,425
<b>Total</b>	<b>274,722,467</b>	<b>Total</b>	<b>274,722,467</b>

## 1.2 MANAFETH AGREEMENT WITH TAWUNIYA

The Company participated in the Manafeth agreement between Tawuniya and the majority of the insurance companies in Saudi Arabia effective 01 January 2015 for co-insuring cars entering into Saudi Arabia from all Saudi borders (except the border with AL-Bahrain). Based on this agreement, all insurance companies participating in this coverage will have an equal share of the net result of this portfolio after allowing for all expenses related to managing this portfolio by Tawuniya. This deal is for three years starting from 01 January 2015 and is expected to renew at same terms. The income related to this portfolio is included in the statement of insurance operations under "Other underwriting income" and is allocated to Motor Insurance in the segment reporting.

## 2 BASIS OF PREPARATION

### *Basis of preparation*

The financial statements have been prepared under the historical cost basis.

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations. The physical custody of all assets related to the Insurance Operations and Shareholders' Operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of other revenue and expenses from joint operations is as determined by the management and Board of Directors. As per the bye-laws of the Company, the deficit arising from the Insurance Operations is allocated fully to Shareholders Operations whereas any surplus arising from the Insurance Operations is distributed as follows:

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

### *Statement of compliance*

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

### *Functional and presentational currency*

The functional and presentation currency of the Company is Saudi Riyals.



NOTES TO THE FINANCIAL STATEMENTS

31 December 2015 (Continued)

**3 SIGNIFICANT ACCOUNTING POLICIES**

***Product classification***

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

***Property and equipment***

Property and equipment are measured at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the assets. Expenditure for repair and maintenance is charged to statement of insurance operations. Improvements that increase the value or materially extend the life of the related assets are capitalised. Depreciation is charged to the statement of insurance operations 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:

Leasehold improvements	7 years
Furniture and fixtures	7 years
Office equipment	5 years
Computer hardware	5 years
Computer software	3 years
Motor vehicles	5 years

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the statement of insurance operations.

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

***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.

***Leases***

Operating lease payments are recognised as an expense in the statement of insurance operations on a straight-line basis over the lease term.

***Zakat and income tax***

Zakat and income tax are provided for in accordance with Saudi Arabian fiscal regulations. Zakat and income tax are accrued and charged to the statement of shareholders' comprehensive operations.

***Employees' terminal benefits***

Employees' terminal benefits are accrued currently and are payable as a lump sum to all employees under the terms and conditions of Saudi Labour Regulations on termination of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at reporting date. Terminal benefits payments are based on employees' final salaries and allowances and their cumulative years of service, as defined by Saudi Arabian Labour Law.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2015 (Continued)

### 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Provisions**

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably.

#### **Cash and cash equivalents**

Cash and cash equivalents for the purposes of statement of shareholders' and insurance operations' cash flows comprise of cash at banks and short-term deposits, if any, with an original maturity of ninety days or less from the date of acquisition.

#### **Revenue recognition**

##### *Recognition of premium and commission revenue*

Premiums and commission are taken into "statement of insurance operations" over the terms of the policies to which they relate on a pro-rata basis, so that the revenue is recognized over the period of the risk. 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", over the period of risk.

Retained premiums and commission income, which relate to unexpired risks beyond the end of the financial period, are reported as unearned and deferred based on the following methods:

- Last three months from the period in respect of marine cargo
- Actual number of days for other lines of business; and
- Pre-defined calculation for Engineering class of business for risks undertaken that extend beyond a single year. In accordance with this calculation, lower premiums are earned in the first year which gradually increases towards the end of the tenure of the policy.

The underwriting results represents premiums earned, fee and commission income earned less claims paid, other underwriting expenses and anticipated claims payable in respect of the period, net of amounts subject to reinsurance, less provision for any anticipated future losses on continuing policies.

#### **Premium balances receivable**

Premiums receivable are measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of premiums receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in the statement of insurance operations. Premiums receivable are derecognised when the derecognition criteria for financial assets have been met.

Any difference between the provisions at the end of reporting period and settlements and provisions in the following year is included in the statement of insurance operations.

#### **Special commission income**

Special commission income on short-term and time deposits is accrued on an effective yield basis.

#### **Insurance contract**

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

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

#### **Claims**

Claims consist of amounts payable to policy holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to statement of insurance operations. Gross outstanding claims comprise gross estimated cost of claims incurred but not settled at the reporting date, whether reported or not. Provisions for reported claims not paid as of the financial reporting date are made on the basis of individual case estimates. The

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015 (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

***Outstanding claims and other technical reserves***

The Company generally estimates its claims based on previous experience. In addition a provision based on management's judgment is maintained for the cost of settling claims "incurred but not reported" and "unallocated loss adjustment expense reserve" at the reporting date. Any difference between the provisions at the balance sheet date and settlements and provisions for the following period is included in the underwriting account for that period. The Company acquires services of an independent actuary to determine such claims.

The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately.

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported is an estimation of claims which are expected to be reported subsequent to the end of financial reporting period, for which the insured event has occurred prior to the end of the financial reporting period.

***Deferred policy acquisition costs***

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are deferred and amortised over the terms of the insurance contracts to which they relate as premiums are earned. Amortisation is recorded in the "statement of insurance operations".

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in accounting estimate.

An impairment review is performed at each financial reporting date or more frequently when an indication of impairment arises. When the recoverable amounts are less than the carrying value, an impairment loss is recognised in the statement of insurance operations. Deferred policy acquisition cost is also considered in the liability adequacy test for each financial reporting period.

***Statutory deposit***

Statutory deposit represents 10% of the paid up capital of the Company which is maintained with a bank designated by SAMA in accordance with The Cooperative Insurance Companies Control Law for insurance companies. This statutory deposit cannot be withdrawn without the consent of SAMA. Accrued interest is included under accrued expenses and other liabilities.

***Reinsurance***

The Company cedes insurance risk in the normal course of business for all of its businesses under which the Company is compensated for losses on insurance contracts issued. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the "statement of insurance operations".

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015 (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

**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 (less related deferred policy acquisition costs) is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in statement of insurance operations and an unexpired risk provision 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 reporting date.

**Expenses**

Expenses are recognised when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

**Foreign currencies**

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are retranslated at the rates of exchange ruling at the statement of financial position date. All differences are taken to the statement of shareholders' comprehensive operations. Foreign exchange gains or loss on available for sale investments are recognised in the statement of shareholders' comprehensive operations.

**Statutory reserve**

In accordance with its Articles of Association, the Company shall allocate 20% of its net income of each year to a statutory reserve until it has built up a reserve equal to the share capital. In view of the accumulated losses, no such transfer has been made for the year ended 31 December 2015.

**Impairment and uncollectibility of financial assets**

An assessment is made at each financial reporting date to determine whether there is objective evidence that a specific financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the statement of shareholders' comprehensive operations. When a financial asset is uncollectible, it is written off against the related provision for impairment. Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted, and the amount of the loss has been determined.

Impairment is determined as follows:

- a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of shareholders' comprehensive operations or the statement of comprehensive income of insurance operations.
- b) 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.

**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 expense are not offset in the statement of insurance or shareholders' comprehensive operations unless required or permitted by an accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.



NOTES TO THE FINANCIAL STATEMENTS

31 December 2015 (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Trade date accounting*

All regular way purchases and sales of financial assets are recognised / derecognised on the trade date (i.e. the date that the Company commits to purchase or sell the assets). Regular way purchases or sales of financial assets are transactions that require settlement of assets within the time frame generally established by regulation or convention in the market place.

*Derecognition of financial instruments*

The derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

*Segment reporting*

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incur expenses and about which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions. The Company has eight reportable operating segments as follows:

- Accidents and liabilities which provides coverage against accidental death to individual and group of persons under Personal Accident Insurance and insures the interest of employers under Fidelity Guarantee and affords cover for loss or damage under Money and certain public liability insurances.
- Motor insurance which provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Property which provides coverage against fire, and any other insurance included under this class of insurance.
- Marine products which provide cover for unpredictable events during sea voyage and inland transit with solutions against unfortunate events incidences during travel and transit.
- Engineering products which provide companies with solutions against unfortunate events with respect to activities undertaken during construction projects.
- Other general lines which provides coverage for consumer products like service warranty and personal protection products.
- Health products which provide health care cover to policyholders.
- Protection and saving which provides coverage against life death to individual and group of personal under Personal and Group Protection Life.

'Shareholders' Funds is a non-operating segment. Income earned from time deposits and investments is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The deficit or surplus from the insurance operations' is allocated to this segment on an appropriate basis. Segment performance is evaluated based on income or loss which, in certain respects, is measured differently from income or loss in the financial statements.

'Transfer pricing for intersegment transactions between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of financial statements of the Company. As the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by operating segment only.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2015 (Continued)

### 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Investments*

All investments are initially recognised at their fair value, including acquisition charges associated with the investment, excluding those held at fair value through income statement. For investments that are traded in organised financial markets, fair value is determined by reference to exchange quoted market bid prices at the close of business on the reporting date without any deduction for transaction costs.

#### *Available for sale investments ("AFS")*

Available for sale investments include equity securities. After initial measurement, AFS financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in equity (through other comprehensive income) captioned under 'change in fair values of available for sale investments'. When the investment is disposed off, the cumulative gain or loss previously recognised in equity is recognised in the statement of shareholders' comprehensive operations.

#### *Held to maturity investments ("HTM")*

Held to maturity investments are non-derivative financial assets which have fixed or determinable payments that the Company has the positive intention and ability to hold to maturity and are initially measured at amortised cost adjusted by the amount of amortisation of premium or accretion of discount using the effective interest method. Any permanent decline in value of HTM investments is recognised in the statement of insurance comprehensive operations. Investments classified as held to maturity cannot ordinarily be sold or reclassified without impacting the Company's ability to use this classification and cannot be designated as a hedged item with respect to special commission rate or prepayment risk, reflecting the longer-term nature of these investments.

#### *Going concern*

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

### 4 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

#### *Judgements*

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

#### *Key estimates and assumptions*

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the significant accounting policies in note 3.

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NOTES TO THE FINANCIAL STATEMENTS  
31 December 2015 (Continued)

5 CASH AND CASH EQUIVALENTS

	31 December 2015		31 December 2014	
	Insurance operations SR	Shareholders' operations SR	Insurance operations SR	Shareholders' operations SR
Cash at banks and in hand	14,689,241	1,260,553	2,238,414	5,157,980
Short-term deposit with original maturity of three months or less	50,000,000	65,054,247	-	6,000,000
	<u>64,689,241</u>	<u>66,314,800</u>	<u>2,238,414</u>	<u>11,157,980</u>

Short-term deposit is placed with a local banks with an original maturity of three months or less. The weighted average special commission rate on the short-term deposit is 2% (2014: 0.85%) per annum.

Short-term deposit and cash at banks are placed with local commercial banks with good investment grade credit ratings.

The carrying values of short-term deposit and cash at banks approximate their fair value at the reporting date.

6 PREMIUMS RECEIVABLE, NET

a) The ageing analysis of premiums receivable balances is set out below.

31 December 2015	Total SR	Past due not impaired	Past due and impaired		
		Up to 90 days SR	91 to 180 days SR	181 to 360 days SR	More than 360 days SR
Premiums receivable	36,984,550	30,613,826	2,762,099	3,595,313	13,312
Provision for doubtful debts	(1,323,127)	-	(414,315)	(898,828)	(9,984)
<b>Premiums receivable, net</b>	<u>35,661,423</u>	<u>30,613,826</u>	<u>2,347,784</u>	<u>2,696,485</u>	<u>3,328</u>
31 December 2014					
Premiums receivable	3,512,379	2,044,146	693,419	774,814	-
Provision for doubtful debts	(90,827)	-	-	(90,827)	-
<b>Premiums receivable, net</b>	<u>3,421,552</u>	<u>2,044,146</u>	<u>693,419</u>	<u>683,987</u>	<u>-</u>

The Company classifies balances as 'past due and impaired' on the basis of the guidelines given by SAMA. Unimpaired premiums receivable are expected to be fully recoverable. It is not the practice of the Company to obtain collateral over premiums receivable, and vast majority of such balances are therefore unsecured.

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2015 (Continued)

6 PREMIUMS RECEIVABLE, NET (Continued)

- b) The movement in provision for doubtful policyholders' balances for the years ended 31 December 2015 and 2014 is set out below:

	31 December 2015 SR	31 December 2014 SR
Beginning balance	90,827	-
Charge for the year ( <i>insurance operations</i> )	1,232,300	90,827
Closing balance	1,323,127	90,827

7 OUTSTANDING CLAIMS

	31 December 2015 SR			31 December 2014 SR		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Outstanding reported claims	25,803,739	13,252,808	12,550,931	11,567	4,478	7,089
Claims incurred but not reported	13,170,131	6,670,836	6,499,295	762,432	495,321	267,111
Unallocated loss adjustment expense reserve	678,203	-	678,203	13,531	-	13,531
Total outstanding claims	39,652,073	19,923,644	19,728,429	787,530	499,799	287,731

8 DEFERRED POLICY ACQUISITION COSTS

	For the year ended 31 December 2015	For the period ended 31 December 2014
Beginning balance	469,688	-
Paid during the year/period	7,672,836	606,277
Amortized during the year/period	(3,284,661)	(136,589)
Closing Balance	4,857,863	469,688



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NOTES TO THE FINANCIAL STATEMENTS

31 December 2015 (Continued)

9 PREPAID EXPENSES AND OTHER ASSETS

	31 December 2015		31 December 2014	
	SR		SR	
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>
Employees' receivable	1,282,601	-	1,202,398	-
Prepaid expenses	4,957,320	750,000	597,319	-
Deposit against letters of guarantee	3,538,097	-	550,000	-
Security deposits	176,910	-	261,500	-
Prepaid rent	1,249,001	-	233,069	-
Accrued interest	156,165	190,937	-	109,630
Other assets	2,389,972	3,993	123,481	3,993
	<u>13,750,066</u>	<u>944,930</u>	<u>2,967,767</u>	<u>113,623</u>

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NOTES TO THE FINANCIAL STATEMENTS  
31 December 2015 (Continued)

10 PROPERTY AND EQUIPMENT, NET

	<i>Leasehold improvements</i> SR	<i>Furniture and fixtures</i> SR	<i>Office equipment</i> SR	<i>Computer hardware</i> SR	<i>Computer software</i> SR	<i>Motor vehicles</i> SR	<i>Total</i> SR
<b>Cost:</b>							
Beginning balance	3,454,254	972,139	499,289	4,697,281	3,232,617	215,049	13,070,629
Additions for the year	115,560	17,050	5,450	132,593	165,678	-	436,331
	<u>3,569,814</u>	<u>989,189</u>	<u>504,739</u>	<u>4,829,874</u>	<u>3,398,295</u>	<u>215,049</u>	<u>13,506,960</u>
<b>Depreciation:</b>							
Beginning balance	906,570	272,808	170,003	2,131,132	1,503,591	31,676	5,015,780
Charge for the year	500,455	141,306	100,945	949,705	998,606	43,010	2,734,027
	<u>1,407,025</u>	<u>414,114</u>	<u>270,948</u>	<u>3,080,837</u>	<u>2,502,197</u>	<u>74,686</u>	<u>7,749,807</u>
<b>Net book value:</b>							
As at 31 December 2015	<u>2,162,789</u>	<u>575,075</u>	<u>233,791</u>	<u>1,749,037</u>	<u>896,098</u>	<u>140,363</u>	<u>5,757,153</u>
<b>Cost:</b>							
Beginning balance	-	-	-	-	-	-	-
Additions for the period for the period from 29 August 2013 to 31 December 2014	<u>3,454,254</u>	<u>972,139</u>	<u>499,289</u>	<u>4,697,281</u>	<u>3,232,617</u>	<u>215,049</u>	<u>13,070,629</u>
<b>Depreciation:</b>							
Charge for the period from 29 August 2013 to 31 December 2014	<u>906,570</u>	<u>272,808</u>	<u>170,003</u>	<u>2,131,132</u>	<u>1,503,591</u>	<u>31,676</u>	<u>5,015,780</u>
<b>Net book value:</b>							
As at 31 December 2014	<u>2,547,684</u>	<u>699,331</u>	<u>329,286</u>	<u>2,566,149</u>	<u>1,729,026</u>	<u>183,373</u>	<u>8,054,849</u>

The depreciation charge is allocated between pre-incorporation expenses, Policyholders' and Shareholders' general and administrative expenses, as follows:

	<i>For the year ended 31 December 2015</i> SR	<i>For the period from 29 August 2013 to 31 December 2014</i> SR
Pre-incorporation expenses (note 22)	-	1,636,415
General and administration expenses <i>Shareholders' operations</i> (note 21)	-	1,342,455
General and administration expenses <i>Insurance operations</i> (note 21)	2,734,028	2,036,910
	<u>2,734,028</u>	<u>5,015,780</u>

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31 December 2015 (Continued)

11 TIME DEPOSITS

Time deposits represent deposits with local commercial banks with good investment grade credit ratings and have an original maturity of more than three months from date of acquisition. There was no Time Deposits invested for more than three months as of 31 December 2015 (31 December 2014 was SR85,000,000 at an average variable special commission rate of 0.85% per annum).

The carrying values of time deposits approximate their fair value at the reporting date.

12 INVESTMENT

(i) Held to maturity

Held to Maturity ("HTM") investment amounting to SR 10,000,000 (31 December 2014: Nil) comprise secured unquoted Sukuk issued by Arab National Bank "ANB" and maturing on 2025. The rate of return on the Sukuk is calculated based on 6-month Saudi Inter-Bank Offered Rate ("SIBOR") plus a margin of 140 basis points per annum and paid semi-annually. Management opinion that the fair value of the HTM investment as at 31 December 2015 was not materially different from its carrying value.

(ii) Available for sale

This investment represents equity holding in the unquoted share capital of "Najm For Insurance Services Company". As the fair value is not readily available; this investment has been carried at cost and reviewed by management for impairment. Management is of the opinion that the fair market value of this investment is not materially different from its carrying value.

(iii) Levels of Investments

The above held to maturity investments have not been classified into levels as they are kept at amortized cost. Regarding the available for sale investment, it is classified under level 3.

13 STATUTORY DEPOSIT

Statutory deposit amounting to SR 17,500,000 represents 10% of the paid up share capital of the Company which is maintained in accordance with the Cooperative Insurance Companies Control Law issued by the Saudi Arabian Monetary Agency ("SAMA"). This statutory deposit cannot be withdrawn without the consent of SAMA.

14 UNEARNED PREMIUMS

	For the year ended 31 December 2015			For the period from 29 August 2013 to 31 December 2014		
	Gross SR	Reinsurers' share SR	Net SR	Gross SR	Reinsurers' share SR	Net SR
Beginning balance	4,709,142	3,251,099	1,458,043	-	-	-
Premiums written during the year/period	144,740,920	48,075,866	96,665,054	5,741,138	3,984,524	1,756,614
Premiums earned during the year/period	(57,418,995)	(23,704,233)	(33,714,762)	(1,031,996)	(733,425)	(298,571)
Balance at end of the period	92,031,067	27,622,732	64,408,335	4,709,142	3,251,099	1,458,043

Note: Ceded premiums written during the year includes excess of loss premiums of SR 380.483 for the year ended 31 December 2015 (2014: SR 67,027).

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2015 (Continued)

15 PAYABLES, ACCRUALS AND OTHERS

	31 December 2015		31 December 2014	
	SR		SR	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Accrued human resources costs	3,006,954	-	1,548,055	272,976
Accrued external service fees	1,020,573	-	1,054,157	-
Accrued occupancy cost	-	-	1,032,576	-
Accrued Board of Directors fees	-	733,060	-	1,013,197
Accrued information technology expenses	155,644	-	165,108	-
Accrued travel expenses	21,575	-	80,439	-
Other accrued expenses	1,342,886	-	55,921	-
Payables – Claims	1,601,388	-	-	-
Payables – Third party administrative	626,555	-	-	-
Advance premiums	1,622,235	-	-	-
Commissions payable	3,293,004	-	343,694	-
Other payables	181,170	174,521	82,934	-
	<u>12,871,984</u>	<u>907,581</u>	<u>4,362,884</u>	<u>1,286,173</u>

16 UNEARNED REINSURANCE COMMISSION INCOME

	31 December 2015	31 December 2014
	SR	SR
Beginning balance	881,472	-
Commission received during the year/period	7,523,244	1,053,511
Commission earned during the year/period	(4,650,695)	(172,039)
<b>Balance at the end of the year/period</b>	<u><u>3,754,021</u></u>	<u><u>881,472</u></u>



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NOTES TO THE FINANCIAL STATEMENTS

31 December 2015 (Continued)

17 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders and key management personnel of the Company. Pricing policies and term of settlement with related parties are as per the commercial terms. The significant related party transactions for the period and the related balances at the end of the period are set out below:

<i>Related party/ Nature of transactions</i>	<i>Amount of transactions</i>		<i>Balance 31 December 2015 SR</i>	<i>Balance 31 December 2014 SR</i>
	<i>For the year ended 31 December 2015</i>	<i>For the period from 29 August 2013 to 31 December 2014</i>		
	SR	SR		
<b>Premium receivable from a related party</b>				
<b>Arab National Bank ("ANB") (Shareholder)</b>				
Premiums receivable (advances) on policies sold through agency agreement with ANB agency	60,662,974	192,094	547,723	(817)
Commission payable on policies sold through agency agreement with ANB agency	1,300,798	28,814	53,489	2,205
<b>Reinsurance balances payable</b>				
<b>American International Group ("AIG") (Shareholder)</b>				
Reinsurance premiums payable and XOL	12,424,079	3,746,991	9,128,538	2,775,444
Reinsurance commission	(2,814,045)	(971,547)	-	-
Reinsurance share of paid claims	(173,277)	-	-	-
<b>Delaware American Life Insurance Company (Owned 100% by MetLife)</b>				
Reinsurance premiums payable	1,831,141	-	30,585	-
Reinsurance commission	(286,848)	-	-	-
Reinsurance share of paid claims	(826,104)	-	-	-
<b>American Life Insurance Company "ALICO" (Owned 100% by MetLife)</b>				
Reinsurance premiums (portfolio transfer)	11,429,627	-	-	-
Reinsurance commission	(2,121,942)	-	-	-
Reinsurance share of claims paid (portfolio transfer)	(28,865,808)	-	7,505,330	-

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31 December 2015 (Continued)

17 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

<i>Related party/ Nature of transactions</i>	<i>Amount of transactions</i>		<i>Balance 31 December 2015 SR</i>	<i>Balance 31 December 2014 SR</i>
	<i>For the year ended 31 December 2015 SR</i>	<i>For the period from 29 August 2013 to 31 December 2014 SR</i>		
<b>Due to related parties</b>				
<b>MetLife (Shareholder)</b>				
Property and equipment purchased on behalf of the Company	-	10,809,086	-	-
Pre-incorporation expenses paid on behalf of the Company and recharged to the Company	-	7,514,895	-	-
Expenses related to initial public offer paid on behalf of the Company and recharged to the Company	-	61,168	-	-
General and administrative expenses paid on behalf of the Company and recharged to the Company	1,134,576	5,597,470	(624,740)	1,403,719
Administration Fees Income (portfolio transfer)	754,182	-	-	-
<b>Arab National Bank ("ANB") (Shareholder)</b>				
Expenses related to initial public offer paid on behalf of the Company and recharged to the Company	-	5,292,304	-	-
Pre-incorporation expenses paid on behalf of the Company and recharged to the Company	-	1,782,795	-	-
General and administrative expenses paid on behalf of the Company and recharged to the Company	-	266,001	-	-
<b>American International Group ("AIG") (Shareholder)</b>				
Pre-incorporation expenses paid on behalf of the Company and recharged to the Company	-	1,694,730	-	-
Property and equipment purchased on behalf of the Company	-	1,020,692	-	-
General and administrative expenses paid on behalf of the Company and recharged to the Company	1,255,868	1,064,199	1,675,036	419,168
<b>Total amounts due to related parties</b>			<b>1,050,297</b>	<b>1,822,887</b>

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31 December 2015 (Continued)

17 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

<i>Related party/ Nature of transactions</i>	<i>Amount of transactions</i>		<i>Balance 31 December 2015 SR</i>	<i>Balance 31 December 2014 SR</i>
	<i>For the year ended 31 December 2015 SR</i>	<i>For the period from 29 August 2013 to 31 December 2014 SR</i>		
<b>Commitments and Contingencies</b>				
<b>Arab National Bank ("ANB") (Shareholder)</b>				
Cash margin against letter of guarantees	-	-	3,538,097	550,000
<b>Investment activities</b>				
<b>Arab National Bank ("ANB") (Shareholder)</b>				
Time Deposits	-	-	42,062,500	56,000,000
Special commission income on deposits	263,857	666,002	72,695	95,871
Held to Maturity Investment (investment in ANB Sukuk)	-	-	10,000,000	-
Special commission income on held to maturity investments	70,649	-	70,649	-
<b>Key management personnel</b>				
Salaries and other benefits	7,668,858	8,589,057	-	-
Board of Directors and Executive Committees' fees	787,000	999,000	718,500	999,000

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NOTES TO THE FINANCIAL STATEMENTS  
31 December 2015 (Continued)

**18 EMPLOYEES' END OF SERVICE BENEFITS**

	<i>31 December 2015</i> <b>SR</b>	<i>31 December 2014</i> <b>SR</b>
Beginning balance	382,882	-
Charged during the year/period	667,249	382,882
Paid during the year/period	(12,645)	-
At the end of the year/period	<u>1,037,486</u>	<u>382,882</u>

**19 ZAKAT AND INCOME TAX**

*(a) Zakat charge for the period*

The zakat provision is based on Saudi shareholders' share of capital of 48.02% (2014:48.02%)

	<i>For the year ended 31 December 2015</i> <b>SR</b>	<i>For the period from 29 August 2013 to 31 December 2014</i> <b>SR</b>
Saudi shareholders' capital (48.02%)	84,035,000	84,035,000
Book value of long term assets	(15,365,583)	(20,317,535)
Accumulated losses and other adjustments	(25,710,947)	-
	<u>42,958,470</u>	<u>63,717,465</u>
Adjusted net loss for the period	<u>(13,725,063)</u>	<u>(18,818,376)</u>
Saudi shareholders' share of zakat base computed at 48.02%	<u>29,233,407</u>	<u>44,899,089</u>

The differences between the financial and the zakatable results are mainly due to provisions which are not allowed in the calculation of zakatable income.

*b) Income tax charge for the year/period*

There was no income tax charge relating to the foreign shareholders for the year ended 31 December 2015 due to the net adjusted loss for the year, (same for 2014).

*c) Movement in the provision for zakat during the period*

The movement in the provision for zakat for the year/period comprises of:

	<i>For the year ended 31 December 2015</i> <b>SR</b>	<i>For the period from 29 August 2013 to 31 December 2014</i> <b>SR</b>
Provided during the year/period	730,835	1,242,671
Release of excess provision 2014	(115,362)	-
Payment made during the year/period	-	(1,242,671)
Ending balance	<u>615,473</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2015 (Continued)

19 ZAKAT AND INCOME TAX (Continued)

d) Status of zakat and income tax assessments

Tax/zakat return of the Company for the first 12 months ending 28 August 2014 has been filed within the stipulated deadline. The final tax/zakat certificate has been received which is valid till 30 April 2016. During 2015 the Company received the following:

- DZIT letter No. 206/16/1437 dated 22 October 2015 requesting for certain information in order to finalise the tax position for the period ended 31 December 2014 and Company has prepared and submitted DZIT queries during February 2016.
- DZIT letter no 4939/16/1436 dated 4 May 2015 requesting the Company to pay additional zakat of SR 516,880 and Company filed an appeal during the legal period.

20 SHARE CAPITAL

The issued and paid up share capital of the Company is SR 175,000,000 divided into 17,500,000 shares of SR 10 each. The share capital is distributed as follows:

Shareholders	Percentage	31 December 2015	31 December 2014
		SR	SR
Founding shareholders	70%	122,500,000	122,500,000
General public	30%	52,500,000	52,500,000
Share capital		<u>175,000,000</u>	<u>175,000,000</u>

Transaction costs of SR 9,396,940 incurred on initial public offer are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the initial public offer that otherwise would have been avoided.

On 27 April 2015, the Company's Board of directors has recommended increasing the Company's capital from SR 175 million to SR 350 million through a rights issue. In this connection, the Company submitted its business plan along with related documents to SAMA on 07 June 2015 for approval and SAMA has approved the capital increase in their letter no. 361000144425 dated 16/11/1436 H (corresponding to 31 August 2015 G). The Company has appointed Saudi Hollandi Capital as a Financial Advisor for this transaction and has submitted its capital increase documents to the Capital Market Authority ("CMA") on 15 November 2015 and has received CMA's approval on 19 January 2016, the Company called for Extra Ordinary general assembly to be held on 22-February-2016 to approve Capital Increase.

21 GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December 2015		For the period from 29 August 2013 to 31 December 2014	
	SR		SR	
	Insurance operations	Shareholders' operations	Insurance Operations	Shareholders' operations
Employees' costs	23,934,365	(90,421)	8,973,632	4,676,671
Legal and professional fees	2,390,942	222,769	3,123,410	3,216,725
Rent	1,014,281	-	2,411,337	908,038
Depreciation (Note 10)	2,734,028	-	2,036,910	1,342,455
Information technology expenses	2,460,467	-	1,834,239	606,327
Travel and lodging expenses	914,266	-	885,910	683,278
Board expenses	-	1,018,091	-	1,085,201
Others	1,856,624	34,437	937,885	323,892
	<u>35,304,973</u>	<u>1,184,876</u>	<u>20,203,323</u>	<u>12,842,587</u>

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31 December 2015 (Continued)

**22 PRE-INCORPORATION EXPENSES, NET**

	<i>For the period from 18 January 2012 to 28 August 2013 SR</i>
Professional services rendered by shareholders' employees	3,564,937
Depreciation (Note 10)	1,636,415
Legal and professional fees	1,463,305
Travel and lodging expenses	1,238,208
Information technology expenses	1,179,675
Rent	661,759
Employees' costs	661,644
Others	1,041,118
<b>Total pre-incorporation expenses incurred</b>	<b>11,447,061</b>
Less: Special commission income earned from short-term deposits up to the date of the Ministerial Resolution (29 August 2013)	(111,441)
<b>Total pre-incorporation expenses, net</b>	<b>11,335,620</b>

**23 RISK MANAGEMENT**

*Risk governance*

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

*Risk management structure*

A cohesive organisational structure is established within the Company in order to identify, assess, monitor and control risks.

*Board of directors*

The apex of risk governance is the centralised oversight of the board of directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

*Senior management*

Senior management is responsible for the day to day operations towards achieving the strategic goals within the Company's pre-defined risk appetite.

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

*a) Operational/process risk*

Operational risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial and reputation loss, and legal and regulatory consequences. The Company manages operational risk through appropriate controls, instituting segregation of duties and internal checks and balances, including internal audit and compliance.

*b) Insurance risk*

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed expectations. This could occur because the frequency or amounts of claims are more than expected. Insurance risk is monitored regularly by the Company to make sure the levels are within the projected frequency bands. The Company underwrites mainly accident and liability, property, marine, engineering, energy, extended warranty and health insurance.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2015 (Continued)

### 23 RISK MANAGEMENT (Continued)

The insurance risks arising from the above insurance contracts are mainly concentrated in the Kingdom of Saudi Arabia.

#### *Frequency and amounts of claims*

The frequency and amounts of claims can be affected by several factors. The Company underwrites accident and liability, property, marine, engineering, energy, extended warranty and health insurance. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

#### *Accident and Liability*

##### *Public liability*

For public liability insurance, main risks are legal liabilities of the insured towards third party death, bodily injury or property damage arising out of insured premises, business operations or projects handled by the insured. This insurance policy is underwritten based on the turnover of the company or the value of the contract, nature / occupation of the premises, nature of contracts handled. The Company has reinsurance cover to limit the losses for any individual claim.

##### *Motor*

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims. The Company has reinsurance cover for such damage to limit losses for any individual claim.

##### *Property*

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has reinsurance cover for such damage to limit losses for any individual claim.

##### *Marine*

Marine cargo insurance is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in the total or partial loss of cargoes. For marine cargo insurance the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes. The Company has reinsurance cover to limit the losses for any individual claim.

##### *Engineering*

For engineering insurance, the main risks are loss or damage to the construction/erection works caused by fire, explosion, natural perils like flood, earthquake, hailstorm, etc. The Company has reinsurance cover for such risks to limit losses for any individual claim.

##### *Other General*

For other general business, the main risks are loss or damage to consumer goods and personal items. The Company has reinsurance cover for such risks to limit losses for any individual claim.

##### *Health*

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risks and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company. The Company has reinsurance cover to limit the losses for any individual claim.



NOTES TO THE FINANCIAL STATEMENTS  
31 December 2015 (Continued)

23 RISK MANAGEMENT (Continued)

*Individual Protection & Saving*

For individual protection & saving portfolio, the main risk is the mortality and morbidity of the insured and the risk of anti-selection associated with this. In addition, higher than anticipated cancellation rates may result an expense overruns and may extend the time period that it will take for the portfolio to attain a critical mass.

*Group Protection & Saving*

For group Protection & Saving portfolio, the main risks are mortality and morbidity of the insured. The mortality risk is compounded due to the concentration of lives. The Company has a clearly defined underwriting strategy. There are various levels of underwriting carried out, including deceleration of good health, medical questionnaire, reports from specialists/consultants and comprehensive medical tests. The Company also looks at the nature of activity carried out by the group, group size, mix of lives by geographical regions, cultural background and manual/non-manual worker split.

The individual and group Protection & Saving portfolio is protected through an efficient reinsurance arrangements. This protects the Company from adverse mortality/morbidity experience.

*Sensitivity analysis*

A hypothetical 10% change in the net claims ratio would impact income by approximately SR3,096,493 (2014: SR 28,773) annually in aggregate.

c) *Reinsurance risk*

In order to minimise its financial exposure to potential losses arising from large claims, the Company enters into agreements with other parties for reinsurance purpose. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts. To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors the concentrations of credit risk arising from similar geographic regions, activities and economic characteristics of reinsurers.

Reinsurance ceded contracts do not relieve the Company from its obligations to the policyholders and as a result the Company remains liable for a portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements. The credit exposure for outstanding claims in this connection is:

	31 December 2015 SR	31 December 2014 SR
USA	760,787	4,478
Middle East including Kingdom of Saudi Arabia	12,492,021	
Reinsurers' share of outstanding claims (note 7)	13,252,808	4,478

d) *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

All liabilities on the Company's statement of financial position, other than employees' terminal benefits, are contractually payable on a current basis.

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31 December 2015 (Continued)

23 RISK MANAGEMENT (continued)

*Maturity profiles*

The table below summarises the maturity profile of the assets and liabilities of the Company based on expected maturities:

**Maturity analysis on expected maturity bases**

		31 December 2015		
	Notes	Current SR	Non-current SR	Total SR
<b>INSURANCE OPERATIONS' ASSETS</b>				
Cash and cash equivalents	5	64,689,241	-	64,689,241
Premiums receivable, net	6	20,470,760	15,190,663	35,661,423
Reinsurers' share of unearned premiums	14	4,594,313	23,028,419	27,622,732
Reinsurers' share of mathematical reserves	1.1	251,654,626	-	251,654,626
Reinsurers' share of outstanding claims	7	19,923,644	-	19,923,644
Deferred policy acquisition costs	8	2,964,552	1,893,311	4,857,863
Prepaid expenses and other assets	9	10,035,058	3,715,008	13,750,066
Due from shareholders operations		8,010,111	-	8,010,111
Property and equipment, net	10	-	5,757,153	5,757,153
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>		<b>382,342,305</b>	<b>49,584,554</b>	<b>431,926,859</b>
<b>SHAREHOLDERS' ASSETS</b>				
Cash and cash equivalents	5	66,314,800	-	66,314,800
Held to maturity	12(i)	-	10,000,000	10,000,000
Due from insurance operations		-	-	-
Prepaid expenses and other assets	9	944,930	-	944,930
Time deposits		-	-	-
Available for sale investment	12(ii)	-	3,175,163	3,175,163
Statutory deposit	13	-	17,674,521	17,674,521
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>67,259,730</b>	<b>30,849,684</b>	<b>98,109,414</b>
<b>INSURANCE OPERATIONS' LIABILITIES</b>				
Gross unearned premiums	14	68,547,897	23,483,170	92,031,067
Gross outstanding claims	7	39,652,073	-	39,652,073
Gross mathematical reserves	1.1	251,654,626	-	251,654,626
Payables, accruals and others	15	12,871,984	-	12,871,984
Reinsurance balances payable		29,875,305	-	29,875,305
Unearned reinsurance commission income	16	831,286	2,922,735	3,754,021
Due to related parties	17	1,050,297	-	1,050,297
Due to shareholders' operations		-	-	-
Employees' terminal benefits	18	-	1,037,486	1,037,486
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES</b>		<b>404,483,468</b>	<b>27,443,391</b>	<b>431,926,859</b>
<b>SHAREHOLDERS' LIABILITIES</b>				
Zakat	19	615,473	-	615,473
Payables, accruals and others	15	907,581	-	907,581
Due to insurance operations		8,010,111	-	8,010,111
<b>TOTAL SHAREHOLDERS' LIABILITIES</b>		<b>9,533,165</b>	<b>-</b>	<b>9,533,165</b>

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2015 (Continued)

23 RISK MANAGEMENT (continued)

Maturity analysis on expected maturity bases

		31 December 2014		
	Notes	Current SR	Non-current SR	Total SR
<b>INSURANCE OPERATIONS' ASSETS</b>				
Cash and cash equivalents	5	2,238,414	-	2,238,414
Premiums receivable, net	6	3,421,552	-	3,421,552
Reinsurers' share of unearned premiums	14	2,074,851	1,176,248	3,251,099
Reinsurers' share of outstanding claims	7	499,799	-	499,799
Deferred policy acquisition costs	8	343,462	126,226	469,688
Prepaid expenses and other assets	9	2,706,267	261,500	2,967,767
Property and equipment, net	10	-	8,054,849	8,054,849
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>		<b>11,284,345</b>	<b>9,618,823</b>	<b>20,903,168</b>
<b>SHAREHOLDERS' ASSETS</b>				
Cash and cash equivalents	5	11,157,980	-	11,157,980
Due from insurance operations		5,028,658	-	5,028,658
Prepaid expenses and other assets	9	113,623	-	113,623
Time deposits	11	85,000,000	-	85,000,000
Available for sale investment	12(ii)	-	3,175,163	3,175,163
Statutory deposit	13	-	17,500,000	17,500,000
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>101,300,261</b>	<b>20,675,163</b>	<b>121,975,424</b>
<b>INSURANCE OPERATIONS' LIABILITIES</b>				
Gross unearned premiums	14	3,408,708	1,300,434	4,709,142
Gross outstanding claims	7	787,530	-	787,530
Payables, accruals and others	15	4,362,884	-	4,362,884
Reinsurance balances payable		2,927,713	-	2,927,713
Unearned reinsurance commission income		562,819	318,653	881,472
Due to related parties	17	1,822,887	-	1,822,887
Due to shareholders' operations		5,028,658	-	5,028,658
Employees' terminal benefits		-	382,882	382,882
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES</b>		<b>18,901,199</b>	<b>2,001,969</b>	<b>20,903,168</b>
<b>SHAREHOLDERS' LIABILITIES</b>				
Payables, accruals and others	15	1,286,173	-	1,286,173
<b>TOTAL SHAREHOLDERS' LIABILITIES</b>		<b>1,286,173</b>	<b>-</b>	<b>1,286,173</b>

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31 December 2015 (Continued)

23 RISK MANAGEMENT (continued)

The table below summarizes the maturity profile of the financial assets and financial liabilities of the Company based on remaining expected obligations, including premiums receivable. For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognized insurance liabilities. Unearned premiums and the reinsurance share of unearned premiums have been excluded from the analysis as they are not contractual obligations. Repayments that are subject to notice are treated as if notice were to be given immediately.

31 December 2015	Notes	No fixed maturity SR	Up to 1 year SR	More than 1 year SR	Total SR
<b>Insurance operations' assets</b>					
Cash and cash equivalents	5	-	64,689,241	-	64,689,241
Premiums receivable, net	6	-	35,661,423	-	35,661,423
Reinsurers' share of outstanding claims	14	-	19,923,644	-	19,923,644
Prepaid expenses and other assets	9	-	13,750,066	-	13,750,066
Due from shareholders operations		-	8,010,111	-	8,010,111
		-	142,034,485	-	142,034,485
<b>Shareholders' assets</b>					
Cash and cash equivalents	5	-	66,314,800	-	66,314,800
Due from insurance operations		-	-	-	-
Prepaid expenses and other assets	9	-	944,930	-	944,930
Time deposits	11	-	-	-	-
Available for sale investment	12(ii)	3,175,163	-	-	3,175,163
Statutory deposit	13	17,674,521	-	-	17,674,521
		20,849,684	67,259,730	-	88,109,414
<b>Insurance operations' liabilities</b>					
Gross outstanding claims		-	39,652,073	-	39,652,073
Payables, accruals and others		-	12,871,984	-	12,871,984
Reinsurance balance payable		-	29,875,305	-	29,875,305
Due to related parties		-	1,050,297	-	1,050,297
Due to shareholders operations		-	-	-	-
Employees' terminal benefits		1,037,486	-	-	1,037,486
<b>Total Insurance operations' liabilities</b>		1,037,486	83,449,659	-	84,487,145
<b>Shareholders' liabilities</b>					
Zakat		-	615,473	-	615,473
Payables, accruals and others		-	907,581	-	907,581
Due to insurance operations		-	8,010,111	-	8,010,111
		-	9,533,165	-	9,533,165

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31 December 2015 (Continued)

23 RISK MANAGEMENT (continued)

31 December 2014	No fixed maturity SR	Up to 1 year SR	More than 1 year SR	Total SR
<b>INSURANCE OPERATIONS' ASSETS</b>				
Cash and cash equivalents	-	2,238,414	-	2,238,414
Premiums receivable, net	-	3,421,552	-	3,421,552
Reinsurers' share of outstanding claims	-	499,799	-	499,799
Prepaid expenses and other assets	-	2,967,767	-	2,967,767
Due from shareholders operations	-	-	-	-
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>	-	9,127,532	-	9,127,532
<b>SHAREHOLDERS' ASSETS</b>				
Cash and cash equivalents	-	11,157,980	-	11,157,980
Due from insurance operations	-	5,028,658	-	5,028,658
Prepaid expenses and other assets	-	113,623	-	113,623
Time deposits	-	85,000,000	-	85,000,000
Available for sale investment	3,175,163	-	-	3,175,163
Statutory deposit	17,500,000	-	-	17,500,000
<b>TOTAL SHAREHOLDERS' ASSETS</b>	20,675,163	101,300,261	-	121,975,424

31 December 2014	No fixed maturity SR	Up to 1 year SR	More than 1 year SR	Total SR
<b>INSURANCE OPERATIONS' LIABILITIES</b>				
Gross outstanding claims	-	787,530	-	787,530
Payables, accruals and others	-	4,362,884	-	4,362,884
Reinsurance balance payable	-	2,927,713	-	2,927,713
Due to related parties	-	1,822,887	-	1,822,887
Due to shareholders operations	-	5,028,658	-	5,028,658
Employees' terminal benefits	382,882	-	-	382,882
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES</b>	382,882	14,929,672	-	15,312,554
<b>SHAREHOLDERS' LIABILITIES</b>				
Zakat	-	-	-	-
Payables, accruals and others	-	1,286,173	-	1,286,173
Due to insurance operations	-	-	-	-
<b>TOTAL SHAREHOLDERS' LIABILITIES</b>	-	1,286,173	-	1,286,173

*Liquidity profile*

None of the financial liabilities on the statement of financial position are based on discounted cash flows and are all contractually payable on the basis as set out above.

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2015 (Continued)

23 RISK MANAGEMENT (continued)

d) 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. For all classes of financial instruments held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- To minimize its exposure to significant losses from reinsurance insolvencies, the Company evaluates the financial condition of its reinsurance counterparties. Accordingly, as a pre-requisite, the parties with whom reinsurance is effected are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company only enters into insurance and reinsurance contracts with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit the credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- Premiums receivable are mainly receivable from individuals and corporate customers (unrated). The Company seeks to limit the credit risk with respect individuals and corporate customers by setting credit limits and monitoring outstanding receivables.
- Cash and cash equivalents are maintained with local banks approved by management. Accordingly, as a pre-requisite, the banks with whom cash and cash equivalents are maintained are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company's investments mainly comprise time deposits with local commercial banks with investment grade credit rating. The Company does not have an internal grading mechanism for investments. The Company limits its credit risk on investments by setting out a maximum exposure limit for each bank based on its credit rating.

Premiums receivable comprise a large number of receivables from individual and corporate clients. The five largest premium receivable accounts constitute 62% of premiums receivable as at 31 December 2015.

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

	31 December 2015		
	SR		
	Insurance operations	Shareholders' operations	Total
Cash and cash equivalents	64,689,241	66,314,800	131,004,041
Premiums receivable, net	35,661,423	-	35,661,423
Reinsurers' share of outstanding claims	19,923,644	-	19,923,644
Employee receivables	1,282,601	-	1,282,601
Time deposits	-	-	-
Available for sale investment	-	3,175,163	3,175,163
Held to maturity	10,000,000	-	10,000,000
Statutory deposit	-	17,674,521	17,674,521
	<u>131,556,909</u>	<u>87,164,484</u>	<u>218,721,393</u>



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NOTES TO THE FINANCIAL STATEMENTS  
31 December 2015 (Continued)

23 RISK MANAGEMENT (continued)

	31 December 2014		
	SR		
	Insurance operations	Shareholders' operations	Total
Cash and cash equivalents	2,238,414	11,157,980	13,396,394
Premiums receivable, net	3,421,552	-	3,421,552
Reinsurers' share of outstanding claims	499,799	-	499,799
Employee receivables	1,202,398	-	1,202,398
Time deposits	-	85,000,000	85,000,000
Available for sale investment	-	3,175,163	3,175,163
Statutory deposit	-	17,500,000	17,500,000
	<u>7,362,163</u>	<u>116,833,143</u>	<u>124,195,306</u>

e) *Special commission rate risk*

Special 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 has no significant exposure to special commission rate risk.

The sensitivity of the income is the effect of the assumed changes in the special commission rates, with all other variable held constant, on the Company's income for one year, based on the floating rate financial assets held at 31 December 2015. As at year end, the Company had a single floating rate HTM investment amounted to SR 10 M as at 31 December 2015 (2014 SR Nil) and the impact of any commission rate changes on the net income of this investment is not expected to be significant.

f) *Currency risk*

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 significant losses due to exchange rate fluctuation as the majority of monetary assets and liabilities are in currencies linked to the Saudi Riyal. In addition, as the Company's foreign currency transactions are primarily in US dollars which are pegged to the Saudi Riyal. Foreign exchange gains and losses are not significant and have not been disclosed separately.

g) *Market risk*

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company has investments in unquoted floating rate 'sukuks' and investment in Najm for Insurance Services Company that have been classified under "held to maturity" and "available for sale" respectively (see note 12). The Company has no significant market risk with regards to its investments as all its investments are kept at cost.

NOTES TO THE FINANCIAL STATEMENTS  
31 December 2015 (Continued)

**23 RISK MANAGEMENT (continued)**

*h) Capital management*

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximise shareholders' value.

The Company manages its capital to ensure that it is able to continue as going concern and comply with SAMA's capital requirements in the Kingdom of Saudi Arabia while maximising the return to stakeholders through the equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital and reserves.

The operations of the Company are subject to local regulatory requirements within the jurisdiction where it is incorporated. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimise the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise.

The Company continuously reassesses its capital needs to maintain sufficient liquid resources and accordingly comply with the prescribed requirements for maintaining solvency margins (see note 20).

*i) Regulatory framework risk*

The operations of the Company are subject to local 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 and to enable them to meet unforeseen liabilities as these arise.

*j) Fair values of financial instruments*

Financial instruments consist of financial assets and financial liabilities.

Financial assets of the Company include cash and cash equivalents, statutory deposit, receivables, investment and reinsurance share of outstanding claims. Its financial liabilities include gross outstanding claims, reinsurance balances payable, accrued expenses and other liabilities

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 fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value of the Company's financial assets and liabilities are not materially different from their carrying values.

**24 BASIC AND DILUTED LOSS PER SHARE**

Basic and diluted loss per share for the year/period has been calculated by dividing the net loss before zakat for the period by the ordinary, issued and outstanding shares at the period end of 17.5 million shares.

**25 OPERATING LEASE**

The minimum future lease payment for the use of the Company's premises aggregates to SR 1.355 million related to the year ended 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS  
31 December 2015 (Continued)

**26      SEGMENT INFORMATION**

Consistent with the Company's internal reporting process, business segments have been approved by management in respect of the Company's activities, assets and liabilities as stated below. Segment results do not include general and administration expenses and other income.

Segment assets do not include property and equipment, prepayments and other assets, premiums receivable, reinsurances' balance receivables and cash and cash equivalents. Accordingly they are included in unallocated assets.

Segment liabilities do not include due to shareholders operations, employees' terminal benefits, reinsurers' balances payable, accrued expenses and other liabilities.

All unallocated assets and liabilities are reported to chief operating decision maker as unallocated assets and liabilities and are monitored on a centralized basis.

All of the Company's operating assets and principal activities are located in the Kingdom of Saudi Arabia.

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NOTES TO THE FINANCIAL STATEMENTS  
31 December 2015 (Continued)

26 SEGMENT INFORMATION (continued)

a) Statement of insurance operations

	<i>For the year ended 31 December 2015</i>								
	<i>Accident and Liability SR</i>	<i>Motor SR</i>	<i>Property SR</i>	<i>Marine SR</i>	<i>Engineering SR</i>	<i>Other General SR</i>	<i>Health SR</i>	<i>Protection &amp; Savings SR</i>	<i>Total SR</i>
Gross written premiums	5,928,563	190,439	3,475,068	2,082,743	24,014,593	1,401,942	90,989,100	16,658,472	144,740,920
Reinsurance premiums ceded	(4,413,367)	-	(3,407,803)	(1,851,661)	(23,994,721)	(485,133)	(1,858,145)	(11,684,553)	(47,695,383)
Excess of loss premiums	(110,642)	(1,684)	(7,239)	(7,414)	-	(249,850)	-	(3,654)	(380,483)
Net written premiums	<u>1,404,554</u>	<u>188,755</u>	<u>60,026</u>	<u>223,668</u>	<u>19,872</u>	<u>666,959</u>	<u>89,130,955</u>	<u>4,970,265</u>	<u>96,665,054</u>
Net changes in unearned premiums	(389,831)	(168,962)	(36,913)	(51,494)	(14,128)	(149,991)	(61,259,999)	(878,973)	(62,950,291)
Net earned premiums	<u>1,014,723</u>	<u>19,793</u>	<u>23,113</u>	<u>172,174</u>	<u>5,744</u>	<u>516,968</u>	<u>27,870,956</u>	<u>4,091,292</u>	<u>33,714,763</u>
Reinsurance commission income	637,366	-	744,686	217,527	457,917	68,325	274,211	2,250,663	4,650,695
Other underwriting income	-	1,178,982	-	-	-	-	-	754,181	1,933,163
Underwriting revenue	<u>1,652,089</u>	<u>1,198,775</u>	<u>767,799</u>	<u>389,701</u>	<u>463,661</u>	<u>585,293</u>	<u>28,145,167</u>	<u>7,096,136</u>	<u>40,298,621</u>
Gross claims paid	(301,807)	(880)	(173,072)	-	-	-	(10,703,298)	(30,210,371)	(41,389,428)
Reinsurers' share of claims paid	300,904	-	172,373	-	-	-	826,104	28,565,807	29,865,188
Net claims paid	<u>(903)</u>	<u>(880)</u>	<u>(699)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,877,194)</u>	<u>(1,644,564)</u>	<u>(11,524,240)</u>
Changes in outstanding claims	(787,477)	(173,114)	(35,430)	(131,220)	(26,845)	(446,882)	(15,876,199)	(1,963,531)	(19,440,698)
Net claims incurred	<u>(788,380)</u>	<u>(173,994)</u>	<u>(36,129)</u>	<u>(131,220)</u>	<u>(26,845)</u>	<u>(446,882)</u>	<u>(25,753,393)</u>	<u>(3,608,095)</u>	<u>(30,964,938)</u>
Commissions incurred	(503,380)	(1,625)	(362,865)	(179,589)	(320,557)	(120,914)	(1,114,641)	(681,090)	(3,284,661)
Other direct underwriting expense	(27,677)	(131)	(25,101)	(5,985)	(14,639)	660	(792,299)	(78,066)	(943,238)
Doubtful debt expense	(288,881)	(1,292)	(249,594)	(3,991)	(60,351)	(129,883)	(469,936)	(28,372)	(1,232,300)
Underwriting expenses	<u>(1,608,318)</u>	<u>(177,042)</u>	<u>(673,689)</u>	<u>(320,785)</u>	<u>(422,392)</u>	<u>(697,019)</u>	<u>(28,130,269)</u>	<u>(4,395,623)</u>	<u>(36,425,137)</u>
Underwriting result	<u>43,771</u>	<u>1,021,733</u>	<u>94,110</u>	<u>68,916</u>	<u>41,269</u>	<u>(111,726)</u>	<u>14,898</u>	<u>2,700,513</u>	<u>3,873,484</u>
Unallocated expenses									(35,304,973)
Unallocated special commission income									156,164
Net deficit for the period from insurance operations									<u>(31,275,325)</u>

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NOTES TO THE FINANCIAL STATEMENTS  
31 December 2015 (Continued)

26 SEGMENT INFORMATION (continued)

a) Statement of insurance operations

	For the period from 29 August 2013 to 31 December 2014								
	Accident and Liability SR	Motor SR	Property SR	Marine SR	Engineering SR	Other General SR	Health SR	Protection & Savings SR	Total SR
Gross written premiums	2,343,127	-	719,460	-	316,350	1,387,934	974,267	-	5,741,138
Reinsurance premiums ceded	(2,128,098)	-	(716,084)	-	(313,977)	(743,470)	(15,869)	-	(3,917,498)
Excess of loss premiums	(9,294)	-	(251)	-	-	(57,481)	-	-	(67,026)
Net written premiums	205,735	-	3,125	-	2,373	586,983	958,398	-	1,756,614
Net changes in unearned premiums	(159,689)	-	(1,828)	-	(2,362)	(414,538)	(879,626)	-	(1,458,043)
Net earned premiums	46,046	-	1,297	-	11	172,445	78,772	-	298,571
Reinsurance commission income	123,061	-	47,887	-	439	-	652	-	172,039
Other underwriting income	-	-	500	-	-	-	-	-	500
Underwriting revenue	169,107	-	49,684	-	450	172,445	79,424	-	471,110
Gross claims paid	-	-	-	-	-	-	-	-	-
Reinsurers' share of claims paid	-	-	-	-	-	-	-	-	-
Net claims paid	-	-	-	-	-	-	-	-	-
Changes in outstanding claims	(43,580)	-	(1,218)	-	(9)	(181,067)	(61,857)	-	(287,731)
Net claims incurred	(43,580)	-	(1,218)	-	(9)	(181,067)	(61,857)	-	(287,731)
Commissions incurred	(73,841)	-	(28,031)	-	(228)	(34,489)	-	-	(136,589)
Other direct underwriting expense	(11,716)	-	(3,597)	-	(1,582)	(6,940)	(14,614)	-	(38,449)
Doubtful debt expense	-	-	-	-	-	(90,827)	-	-	(90,827)
Underwriting expenses	(129,137)	-	(32,846)	-	(1,819)	(313,323)	(76,471)	-	(553,596)
Underwriting result	39,970	-	16,838	-	(1,369)	(140,878)	2,953	-	(82,486)
Unallocated expenses									(20,203,323)
Net deficit for the period from insurance operations									(20,285,809)

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NOTES TO THE FINANCIAL STATEMENTS  
31 December 2015 (Continued)

26 SEGMENT INFORMATION (continued)

b) Insurance operations' assets and liabilities (continued)

	December 31, 2015									
	Accident and Liability SR	Motor SR	Property SR	Marine SR	Engineering SR	Other General SR	Health SR	Protection & Savings SR	Unallocated SR	Total SR
Insurance operations' assets										
Cash and cash equivalents	-	-	-	-	-	-	-	-	64,689,241	64,689,241
Premiums receivable, net	1,511,438	85,666	749,874	589,682	14,498,208	887,981	17,020,050	318,524	-	35,661,423
Reinsurers' share of unearned premiums	3,462,221	-	962,928	833,990	21,071,653	965,812	147,265	178,863	-	27,622,732
Reinsurers' share of mathematical reserves	-	-	-	-	-	-	-	251,654,626	-	251,654,626
Reinsurers' share of outstanding claims	2,221,955	-	2,042,999	712,369	2,265,932	157,674	300,053	12,222,662	-	19,923,644
Deferred policy acquisition costs	402,930	13,983	111,117	49,242	1,731,058	76,281	2,320,193	153,059	-	4,857,863
Prepaid expenses and other assets	51,610	1,180,364	10,722	8,568	105,434	75,298	3,603,685	17,742	8,696,643	13,750,066
Due from shareholders operations	-	-	-	-	-	-	-	-	8,010,111	8,010,111
Property and equipment, net	-	-	-	-	-	-	-	-	5,757,153	5,757,153
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>	<b>7,650,154</b>	<b>1,280,013</b>	<b>3,877,640</b>	<b>2,193,851</b>	<b>39,672,285</b>	<b>2,163,046</b>	<b>73,391,246</b>	<b>264,545,476</b>	<b>87,153,148</b>	<b>431,926,859</b>
Insurance operations' liabilities										
Gross unearned premiums	4,011,741	168,962	1,001,669	885,484	21,088,143	1,530,341	62,286,890	1,057,837	-	92,031,067
Gross outstanding claims	3,053,012	173,114	2,079,646	843,589	2,292,785	785,623	16,238,108	14,186,196	-	39,652,073
Gross mathematical reserves	-	-	-	-	-	-	-	251,654,626	-	251,654,626
Payables, accruals and others	173,382	7,010	156,312	37,432	1,132,506	90,616	3,584,400	(7,474)	7,697,800	12,871,984
Reinsurance balances payable	2,996,789	4,856	2,151,342	1,547,513	14,485,485	582,136	(50,935)	8,158,119	-	29,875,305
Unearned reinsurance commission income	624,212	-	244,227	98,175	2,455,028	251,112	36,828	44,439	-	3,754,021
Due to related parties	-	-	-	-	-	-	-	-	1,050,297	1,050,297
Employees' terminal benefits	-	-	-	-	-	-	-	-	1,037,486	1,037,486
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES</b>	<b>10,859,136</b>	<b>353,942</b>	<b>5,633,196</b>	<b>3,412,193</b>	<b>41,453,947</b>	<b>3,239,828</b>	<b>82,095,291</b>	<b>275,093,743</b>	<b>9,785,583</b>	<b>431,926,859</b>

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NOTES TO THE FINANCIAL STATEMENTS  
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26 SEGMENT INFORMATION (continued)

b) Insurance operations' assets and liabilities (continued)

	December 31, 2014									
	<i>Accident and Liability SR</i>	<i>Motor SR</i>	<i>Property SR</i>	<i>Marine SR</i>	<i>Engineering SR</i>	<i>Other General SR</i>	<i>Health SR</i>	<i>Protection &amp; Savings SR</i>	<i>Unallocated SR</i>	<i>Total SR</i>
<b>Insurance operations' assets</b>										
Cash and cash equivalents	-	-	-	-	-	-	-	-	2,238,414	2,238,414
Premiums receivable, net	1,343,890	-	174,915	-	281,350	864,628	756,769	-	-	3,421,552
Reinsurers' share of unearned premiums	1,650,841	-	529,758	-	312,466	743,469	14,565	-	-	3,251,099
Reinsurers' share of outstanding claims	357,943	-	139,745	-	1,133	-	978	-	-	499,799
Deferred policy acquisition costs	266,190	-	79,663	-	47,224	76,611	-	-	-	469,688
Prepaid expenses and other assets	29,016	-	124	-	-	94,341	-	-	2,844,286	2,967,767
Property and equipment, net	-	-	-	-	-	-	-	-	8,054,849	8,054,849
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>	<b>3,647,880</b>	<b>-</b>	<b>924,205</b>	<b>-</b>	<b>642,173</b>	<b>1,779,049</b>	<b>772,312</b>	<b>-</b>	<b>13,137,549</b>	<b>20,903,168</b>
<b>Insurance operations' liabilities</b>										
Gross unearned premiums	1,810,530	-	531,586	-	314,828	1,158,007	894,191	-	-	4,709,142
Gross outstanding claims	401,523	-	140,963	-	1,142	181,067	62,835	-	-	787,530
Payables, accruals and others	206,801	-	25,900	-	42,203	68,790	-	-	4,019,190	4,362,884
Reinsurance balances payable	1,588,918	-	405,950	-	222,924	701,989	7,932	-	-	2,927,713
Unearned reinsurance commission income	454,429	-	135,841	-	90,615	193,302	7,285	-	-	881,472
Due to related parties	-	-	-	-	-	-	-	-	1,822,887	1,822,887
Due from shareholders operations	-	-	-	-	-	-	-	-	5,028,658	5,028,658
Employees' terminal benefits	-	-	-	-	-	-	-	-	382,882	382,882
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES</b>	<b>4,462,201</b>	<b>-</b>	<b>1,240,240</b>	<b>-</b>	<b>671,712</b>	<b>2,303,155</b>	<b>972,243</b>	<b>-</b>	<b>11,253,617</b>	<b>20,903,168</b>



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NOTES TO THE FINANCIAL STATEMENTS  
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**27 COMMITMENTS AND CONTINGENCIES**

- At 31 December 2015, Letters of Guarantee amounting to SR 3,538,097 were outstanding in favour of medical providers and general insurance tenders (SR 550,000 as at 31 December 2014). These letters of guarantee were issued against cash margin amounting to SR 3,538,097 and SR 550,000 as at 31 December 2015 and 31 December 2014 respectively which is classified under prepaid expenses and other assets in the statement of financial position.
- The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business relating to policyholders' insurance claims. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on its performance and financial position.

**28 SIGNIFICANT ACCOUNTING POLICIES AND AMENDMENTS TO STANDARDS**

The accounting policies used in the preparation of these annual financial statements are consistent with those used in the preparation of the Company's annual financial statements for the period from 29 August 2013 to 31 December 2014, except for the adoption of new standards and amendments to existing standards effective for the annual period beginning 01 January 2015.

*New and amended standards issued and adopted*

Amendments to IAS 19 applicable for annual periods beginning on or after 01 July 2014 are applicable to defined benefit plans involving contribution from employees and / or third parties. This provides relief, based on meeting certain criteria's, from the requirements proposed in the amendments of 2011 for attributing employee / third party contributions to periods of service under the plan benefit formula or on a straight line basis. The current amendment gives an option, if conditions satisfy, to reduce service cost in period in which the related service is rendered.

Annual improvements to IFRS 2010-2012 and 2011-2013 cycle applicable for annual periods beginning on or after 1 July 2014. A summary of the amendments is contained as under:

- IFRS 2 amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.
- IFRS 3 – "business combinations" amended to clarify the classification and measurement of contingent consideration in a business combination. It has been further amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in IFRS 11.
- IFRS 8 – "operating segments" has been amended to explicitly require disclosure of judgments made by management in applying aggregation criteria.
- IFRS 13 has been amended to clarify measurement of interest free short term receivables and payables at their invoiced amount without discounting, if the effect of discounting is immaterial. It has been further amended to clarify that the portfolio exception potentially applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.
- IAS 16 – "Property plant and equipment" and IAS 38 – "intangible assets": – the amendments clarify the requirements of revaluation model recognizing that the restatement of accumulated depreciation (amortisation) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 – "related party disclosures" – the definition of a related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or indirectly.
- IAS 40 – "investment property" clarifies that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition constitutes a business combination.

NOTES TO THE FINANCIAL STATEMENTS  
31 December 2015 (Continued)

**28 SIGNIFICANT ACCOUNTING POLICIES AND AMENDMENTS TO STANDARDS (Continued)**

*Standards issued but not yet effective*

In addition to the above mentioned standards, the following standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. Further, the Company has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards which have been published and are mandatory for compliance for the Company with effect from future dates.

*IFRS 9 Financial Instruments*

IFRS 9, as issued, reflects the first phase of the IASB's work though the adoption date is subject to the recently issued Exposure Draft on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015.

However, on 19 November 2013, the IASB issued IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9) amending IFRS 9 to include the new general hedge accounting model. In its February 2014 meeting, the IASB decided that IFRS 9 would be mandatorily effective for years ending on or after 31 December 2018.

**29 APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements have been approved by the Board of Directors on 16 February 2016 corresponding to (07 Jumada al-awwal 1437).



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Managing Director/  
Chief Executive Officer



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Chief Financial Officer