

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

**FINANCIAL STATEMENTS
AND INDEPENDENT JOINT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

**FINANCIAL STATEMENTS AND INDEPENDENT JOINT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

Scope of audit

We have audited the accompanying statement of financial position of Saudi Enaya Cooperative Insurance Company - a Saudi Joint Stock Company - ("the Company") as at 31 December 2014, and the related statements of insurance operations and accumulated surplus, shareholders' operations, shareholders' comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the year then ended and the related notes from 1 to 26 which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards, the provisions of Article 123 of the Regulations for Companies and the Company's by-laws and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

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

- i) present fairly, in all material respects, the financial position of the Company as at 31 December 2014 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and
- ii) comply with the requirements of the Regulations for Companies and the Company's by-laws with respect to the preparation and presentation of the financial statements.

Emphasis of matter

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

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
Licence No. 356



for KPMG Al Fozan & Al Sadhan

Ebrahim Oboud Baeshen
Certified Public Accountant
Licence No. 382

Jeddah, Kingdom of Saudi Arabia
29 Rabi Al Thani 1436 H
18 February 2015



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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

		31 December 2014 SR'000	31 December 2013 SR'000
	<i>Notes</i>		
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	1,198	1,249
Premiums receivable, net	4	6,078	21,759
Reinsurance receivable		4,167	4,936
Reinsurers' share of unearned premium	5	3,280	12,256
Reinsurers' share of outstanding claims	6	1,827	3,680
Deferred policy acquisition costs	7	381	2,018
Prepayments and other assets	8	3,351	3,440
Intangible assets	9	10,929	14,143
Furniture, fittings and office equipment	10	5,446	8,718
Total insurance operations' assets		36,657	72,199
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	105,138	38,390
Murabaha deposits		-	135,000
Investments	11	110,879	88,342
Prepayments and other assets	8	929	1,986
Amounts due from a related party	19	-	83
Amounts due from Insurance Operations		3,156	3,828
Statutory deposit	15	40,000	40,000
Total shareholders' assets		260,102	307,629
TOTAL ASSETS		296,759	379,828


Chairman


Chief Financial Officer


Chief Executive Officer

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

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

STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2014

	<i>Notes</i>	31 December 2014 SR'000	31 December 2013 SR'000
INSURANCE OPERATIONS' LIABILITIES			
Insurance operations' liabilities			
Unearned premiums	5	8,180	27,889
Provision for premium deficiency		1,432	3,517
Outstanding claims	6	3,655	7,360
Reinsurance balance payable		5,078	15,344
Amounts due to Shareholders' Operations		3,156	3,828
Accrued expenses and other liabilities	12	15,156	14,261
Total insurance operations' liabilities		36,657	72,199
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued expenses and other liabilities	12	1,074	886
Accrued Zakat	13	7,508	6,032
Amounts due to related parties	19	4	1,136
Total shareholders' liabilities		8,586	8,054
Shareholders' equity			
Share capital	14	400,000	400,000
Accumulated losses		(148,484)	(100,425)
Total shareholders' equity		251,516	299,575
Total shareholders' liabilities and equity		260,102	307,629
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		296,759	379,828

Chairman

Chief Executive Officer

Chief Financial Officer

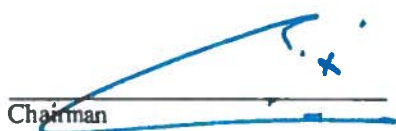
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SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS

For the year ended 31 December 2014

		<i>For the year ended 31 December 2014 SR'000</i>	<i>For the period from 8 February 2012 to 31 December 2013 SR'000</i>
	<i>Notes</i>		
REVENUE			
Gross written premiums		32,678	49,709
Less: Reinsurance ceded		(13,124)	(21,809)
Net written premiums		19,554	27,900
Movement in net unearned premiums		10,733	(15,633)
Net premiums earned	5	30,287	12,267
CLAIMS			
Gross claims paid		51,954	13,877
Less: claims recovered		(25,699)	(6,939)
Net claims paid		26,255	6,938
Movement in net outstanding claims		(1,852)	3,680
Net claims incurred	6	24,403	10,618
(Reversal of) / additions to provision for premium deficiency		(2,085)	3,517
Net underwriting expenses		22,318	14,135
Net underwriting result		7,969	(1,868)
Other income		93	9
EXPENSES			
Selling and marketing	16	(9,087)	(7,673)
General and administration	17	(44,992)	(44,504)
DEFICIT FROM INSURANCE OPERATIONS		(46,017)	(54,036)
Shareholders' share of deficit from Insurance Operations	2(b)	46,017	54,036
Policyholders' share of deficit from insurance operations		-	-


Chairman


Chief Financial Officer


Chief Executive Officer


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

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

STATEMENT OF SHAREHOLDERS' OPERATIONS

For the year ended 31 December 2014

		<i>For the year ended 31 December 2014 SR'000</i>	<i>For the period from 8 February 2012 to 31 December 2013 SR'000</i>
LOSS	<i>Notes</i>		
Shareholders' share of deficit from Insurance Operations	2(b)	(46,017)	(54,036)
EXPENSES			
General and administration	17	(1,651)	(25,396)
Pre-incorporation expenses	18	-	(9,170)
		<u>(47,668)</u>	<u>(88,602)</u>
Investment income		<u>2,492</u>	<u>5,074</u>
NET LOSS FOR THE YEAR / PERIOD		<u><u>(45,176)</u></u>	<u><u>(83,528)</u></u>
Weighted average number of ordinary shares outstanding (in thousands)		<u><u>40,000</u></u>	<u><u>40,000</u></u>
Loss per share for the year / period (in Saudi Arabian Riyals)	23	<u><u>(1.13)</u></u>	<u><u>(2.09)</u></u>


Chairman


Chief Financial Officer


Chief Executive Officer

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

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

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

		<i>For the year ended 31 December 2014 SR'000</i>	<i>For the period from 8 February 2012 to 31 December 2013 SR'000</i>
	<i>Note</i>		
NET LOSS FOR THE YEAR / PERIOD		(45,176)	(83,528)
Zakat for the year / period	13	<u>(2,883)</u>	<u>(9,862)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR / PERIOD		<u>(48,059)</u>	<u>(93,390)</u>

Chairman

Chief Executive Officer

Chief Financial Officer

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

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2014

	<i>Notes</i>	<i>Share capital SR'000</i>	<i>Accumulated losses SR'000</i>	<i>Total SR'000</i>
Issue of share capital	14	400,000	-	400,000
Transaction costs	14(a)	-	(7,035)	(7,035)
Net loss for the period from 8 February 2012 to 31 December 2013		-	(83,528)	(83,528)
Zakat for the period	13	-	(9,862)	(9,862)
Balance at 31 December 2013		400,000	(100,425)	299,575
Net loss for the year - 2014		-	(45,176)	(45,176)
Zakat for the year	13	-	(2,883)	(2,883)
Balance at 31 December 2014		<u>400,000</u>	<u>(148,484)</u>	<u>251,516</u>

Chairman

Chief Executive Officer

Chief Financial Officer

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

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

STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the year ended 31 December 2014

		<i>For the year ended 31 December 2014 SR'000</i>	<i>For the period from 8 February 2012 to 31 December 2013 SR'000</i>
	<i>Notes</i>		
OPERATING ACTIVITIES			
Policyholders' share of deficit from Insurance Operations		-	-
Adjustments for:			
Depreciation	10	3,771	3,668
Amortization of intangible assets	9	4,536	3,360
Reinsurers' share of unearned premium		8,976	(12,256)
Deferred policy acquisition costs		1,637	(2,018)
Unearned premiums		(19,709)	27,889
Net movement in provision for premium deficiency reserve		(2,085)	3,517
Net movement in allowance for doubtful premiums receivable	4	(3,187)	4,966
		<u>(6,061)</u>	<u>29,126</u>
Changes in operating assets and liabilities:			
Premiums receivable		18,868	(26,725)
Reinsurance receivable		769	(4,936)
Reinsurer's share of outstanding claims		1,853	(3,680)
Prepayments and other assets		89	(3,166)
Outstanding claims		(3,705)	7,360
Reinsurance balance payable		(10,266)	15,344
Amounts due to shareholders' operations		(672)	(5,333)
Accrued expenses and other liabilities		895	9,637
		<u>1,770</u>	<u>17,627</u>
INVESTING ACTIVITIES			
Purchase of furniture, fittings and office equipment	10	(499)	(414)
Intangible assets acquired	9	(1,322)	(15,965)
		<u>(1,821)</u>	<u>(16,379)</u>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(51)	1,248
CASH AND CASH EQUIVALENTS TRANSFERRED FROM SHAREHOLDERS' OPERATIONS	2(b)	-	1
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR / PERIOD		<u>1,249</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR / PERIOD	3	<u>1,198</u>	<u>1,249</u>

Major non-cash transactions:

Insurance related assets and liabilities transferred from shareholders' operations excluding cash and cash equivalents	2(b)	-	9,160
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Chairman

Chief Executive Officer

Chief Financial Officer

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

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

STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the year ended 31 December 2014

		<i>For the year ended 31 December 2014 SR'000</i>	<i>For the period from 8 February 2012 to 31 December 2013 SR'000</i>
	<i>Notes</i>		
OPERATING ACTIVITIES			
Net loss for the year / period		(45,176)	(83,528)
Adjustments for:			
Fair value loss on investments	11	121	1,357
Amortisation of discount – net	11	25	(240)
Loss / (gain) on sale of investments		42	(2,768)
Gain on Murabaha deposits		(2,079)	-
Depreciation		-	2,360
Amortization		-	63
Employees' end of service benefits		-	529
		<u>(47,067)</u>	<u>(82,227)</u>
Changes in operating assets and liabilities:			
Prepayments and other assets		1,057	(2,260)
Amounts due from a related party		83	(83)
Amounts due from insurance operations		672	5,333
Accrued expenses and other liabilities		188	4,981
Amounts due to related parties		(1,132)	1,136
		<u>(46,199)</u>	<u>(73,120)</u>
Cash used in operating activities			
Zakat paid	13	(1,407)	(3,830)
Net cash used in operating activities		<u>(47,606)</u>	<u>(76,950)</u>
INVESTING ACTIVITIES			
Purchase of furniture, fittings and equipment		-	(14,332)
Intangible assets acquired		-	(1,601)
Purchase of Murabaha deposits		(60,353)	(135,000)
Proceeds from encashment of Murabaha deposits		197,432	-
Purchase of investments	11	(121,340)	(104,459)
Proceeds from disposal of investments	11	38,615	17,768
Proceeds from maturity of investments	11	60,000	-
Statutory deposit	15	-	(40,000)
		<u>114,354</u>	<u>(277,624)</u>
Net cash from / (used in) investing activities			
FINANCING ACTIVITIES			
Issue of share capital	14	-	400,000
Transaction costs	14	-	(7,035)
		<u>-</u>	<u>392,965</u>
Net cash from financing activities			
NET INCREASE IN CASH AND CASH EQUIVALENTS			
CARRIED FORWARD		<u>66,748</u>	<u>38,391</u>

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

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

STATEMENT OF SHAREHOLDERS' CASH FLOWS (continued)

For the year ended 31 December 2014

		<i>For the year ended 31 December 2014 SR'000</i>	<i>For the period from 8 February 2012 to 31 December 2013 SR'000</i>
	<i>Notes</i>		
NET INCREASE IN CASH AND CASH EQUIVALENTS BROUGHT FORWARD		66,748	38,391
CASH AND CASH EQUIVALENTS TRANSFERRED TO INSURANCE OPERATIONS	2(b)	-	(1)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR / PERIOD		38,390	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR / PERIOD	3	105,138	38,390
Major non-cash transactions:			
Insurance related assets and liabilities transferred to insurance operations excluding cash and cash equivalents	2(b)	-	9,160

Chairman

Chief Executive Officer

Chief Financial Officer

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

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

1. ORGANISATION AND PRINCIPAL ACTIVITIES

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

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

Following is the branch of the Company:

Branch	Commercial Registration Number:
Riyadh	1010421871

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

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

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. STATEMENT OF COMPLIANCE

The accounting policies adopted by the Company for the preparation of these financial statements are in accordance with International Financial Reporting Standards (IFRS).

b. BASIS OF PREPARATION

As per the Company's by-laws and Articles of Association, the Company's first fiscal period commenced on the issuance date of the Ministerial Resolution declaring the formation of the Company, which was dated 16 Rabi Awwal 1433 H (corresponding to 8 February 2012), and ended on 31 December of the following Gregorian year (being 31 December 2013). Accordingly, the comparative information in the statements of insurance operations and accumulated surplus, shareholders' operations, comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows and related notes have been presented for the period from 8 February 2012 to 31 December 2013. The comparative information in the statement of financial position and related notes have been presented as at 31 December 2013.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2014

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

b. BASIS OF PREPARATION (continued)

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

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of account for Insurance Operations and Shareholders' Operations. The physical custody of all assets related to the Insurance Operations and Shareholders' Operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective books of account. The basis of allocation of expenses from joint operations is determined by the management and the Board of Directors.

Consequent to commencement of commercial operations, the Shareholders' Operations transferred the following insurance assets and liabilities to the Insurance Operations as at 1 January 2013:

	SR '000
Cash and cash equivalents	1
Prepayments and other assets	274
Furniture, fittings and office equipment	11,972
Intangible assets	1,538
Accrued expenses	(4,095)
End of service benefits provision	(529)
	<u>9,161</u>

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

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

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

c. FUNCTIONAL AND PRESENTATION CURRENCY

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2014

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

d. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

<i>Standard</i>	<i>Description</i>
IFRS 10, IFRS 12 and IAS 27	Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities
IAS 32	Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
IAS 36	Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
IAS 39	Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

Financial instruments – initial recognition and subsequent measurement

Financial instruments comprise financial assets and financial liabilities.

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

Date of recognition

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

Initial measurement of financial instruments

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

Cash and cash equivalents

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

Murabaha deposits

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

Investments

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

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

FVIS investments

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2014

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

d. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Held to maturity

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

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

Any permanent decline in value of investments is adjusted for and reported in the statement of shareholders' operations as impairment.

Premiums receivable

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

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

Deferred policy acquisition costs

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

Intangible assets

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

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

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

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

Furniture, fittings and equipment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2014

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

d. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Liability adequacy test

At each reporting date, the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of insurance operations and accumulated surplus and an unexpired risk provision (disclosed as premium deficiency reserve) is created.

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

Accounts payable and accruals

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

Provisions

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

Employees' end of service benefits

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

Zakat and income tax

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2014

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

d. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

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

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

Impairment of non-financial assets

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2014

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

d. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition

Financial asset

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

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

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

Financial liability

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

Revenue recognition

Premiums earned

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

Investment income

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

Reinsurance premiums

Reinsurance premiums ceded are recognised as an expense when payable.

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2014

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

d. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Claims

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

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

Reinsurance contracts held

In common with other insurance companies, in order to minimise financial exposure arising from large claims, the Company, in the normal course of business, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. All of the reinsurance is effected under treaty contracts.

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

At each reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Expenses

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

Segmental reporting

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

Operating leases

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

Pre-incorporation expenses

Pre-incorporation expenses that are not of economic benefit beyond the current period are charged to the statement of shareholders' operations.

Transaction costs

Transaction costs to raise capital are incremental costs that are directly attributable to the issue of share capital and are accounted for as a deduction from equity.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2014

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

d. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

Offsetting

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

e. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Provision for outstanding claims

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

Allowance for doubtful receivable

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

Deferred acquisition costs

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

Provision for premium deficiency reserve

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2014

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

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

Useful lives of furniture, fittings and equipment

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

Useful lives of intangible assets

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

Classification of investments

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

Fair values of financial instruments

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

Going concern

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

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

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

<i>Standard</i>	<i>Description</i>	<i>Effective from years beginning on or after the following date</i>
IFRS 9	Financial Instruments	1 January 2018
IFRS 11	Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IAS 16 and IAS 38	Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 19	Amendments to IAS 19 Defined Benefit Plans: Employee Contributions	1 July 2014
IAS 27	Amendments to IAS 27 Equity Method in Separate Financial Statements	1 January 2016

The Company is currently assessing the implications of adopting the above mentioned standards on the Company's financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2014

3. CASH AND CASH EQUIVALENTS

	<i>31 December 2014 SR'000</i>	<i>31 December 2013 SR'000</i>
<i>Insurance Operations</i>		
Cash in banks	1,187	1,245
Cash in hand	11	4
	<u>1,198</u>	<u>1,249</u>
<i>Shareholders' Operations</i>		
Cash in banks	54	8,334
Murabaha deposits (see note (a) below)	105,084	30,056
	<u>105,138</u>	<u>38,390</u>

- a) The Murabaha deposits are held with a commercial bank in the Kingdom of Saudi Arabia. These Murabaha deposits are denominated in Saudi Arabian Riyals and have an original maturity of not exceeding three months.

4. PREMIUMS RECEIVABLE, NET

	<i>31 December 2014 SR'000</i>	<i>31 December 2013 SR'000</i>
Gross premiums receivable	7,857	26,725
Allowance for doubtful premiums receivable	(1,779)	(4,966)
Premiums receivable, net	<u>6,078</u>	<u>21,759</u>

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

	<i>For the year ended 31 December 2014 SR'000</i>	<i>For the period from 8 February 2012 to 31 December 2013 SR'000</i>
Balance at the beginning of the year / period	4,966	-
(Reversal) / additions during the year / period (note 17)	(3,187)	5,015
Write-offs during the period	-	(49)
Balance at the end of the year / period	<u>1,779</u>	<u>4,966</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2014

4. PREMIUMS RECEIVABLE, NET (continued)

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

	<i>Up to three months SR'000</i>	<i>Above three and up to six months SR'000</i>	<i>Above six and up to twelve months SR'000</i>	<i>Above twelve months SR'000</i>	<i>Total SR'000</i>
31 December 2014	3,391	868	1,437	382	6,078
31 December 2013	5,808	2,240	13,711	-	21,759

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

In respect of premium receivables, ten major customers account for 67% of the balance as at 31 December 2014 (2013 : 78%).

5. NET PREMIUMS EARNED

	<i>For the year ended 31 December 2014 SR' 000</i>	<i>For the period from 8 February 2012 to 31 December 2013 SR' 000</i>
Gross written premiums during the year / period	32,678	49,709
Gross unearned premiums at beginning of the year / period	27,889	-
	60,567	49,709
Gross unearned premiums at end of the year / period	(8,180)	(27,889)
Gross premiums earned	52,387	21,820
Premiums ceded during the year / period	(13,124)	(21,809)
Reinsurers' share of unearned premiums at beginning of the year / period	(12,256)	-
	(25,380)	(21,809)
Reinsurers' share of unearned premiums at end of the year / period	3,280	12,256
Insurance premiums ceded to reinsurer	(22,100)	(9,553)
Net premiums earned	30,287	12,267

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2014

6. CLAIMS INCURRED

	<i>For the year ended 31 December 2014 SR' 000</i>	<i>For the period from 8 February 2012 to 31 December 2013 SR' 000</i>
Gross claims paid	51,954	13,877
Gross outstanding claims at end of the year / period	3,655	7,360
	<u>55,609</u>	<u>21,237</u>
Gross outstanding claims at beginning of the year / period	(7,360)	-
	<u>48,249</u>	<u>21,237</u>
Gross claims incurred		
Reinsurance recoveries	(25,699)	(6,939)
Reinsurers' share of outstanding claims at end of the year / period	(1,827)	(3,680)
	<u>(27,526)</u>	<u>(10,619)</u>
Reinsurers' share of outstanding claims at beginning of the year / period	3,680	-
	<u>(23,846)</u>	<u>(10,619)</u>
Net claims incurred	<u>24,403</u>	<u>10,618</u>

7. DEFERRED POLICY ACQUISITION COSTS

	<i>For the year ended 31 December 2014 SR'000</i>	<i>For the period from 8 February 2012 to 31 December 2013 SR'000</i>
Balance at the beginning of the year / period	2,018	-
Additions during the year / period	1,235	3,678
Amortised during the year / period	(2,872)	(1,660)
	<u>381</u>	<u>2,018</u>
Balance at the end of the year / period	<u>381</u>	<u>2,018</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2014

8. PREPAYMENTS AND OTHER ASSETS

	<i>31 December 2014 SR'000</i>	<i>31 December 2013 SR'000</i>
Insurance Operations		
Prepayments	2,576	2,703
Others	775	737
	<u>3,351</u>	<u>3,440</u>
	<i>31 December 2014 SR'000</i>	<i>31 December 2013 SR'000</i>
Shareholders' Operations		
Accrued income	357	1,745
Other receivables	572	241
	<u>929</u>	<u>1,986</u>

9. INTANGIBLE ASSETS

	<i>For the year ended 31 December 2014 SR'000</i>	<i>For the period from 8 February 2012 to 31 December 2013 SR'000</i>
Insurance Operations		
Cost:		
Balance at the beginning of the year / period	17,566	-
Additions during the year / period	1,322	17,566
	<u>18,888</u>	<u>17,566</u>
Balance at the end of the year / period		
Amortization:		
Balance at the beginning of the year / period	3,423	-
Charge for the year / period	4,536	3,423
	<u>7,959</u>	<u>3,423</u>
Balance at the end of the year / period		
Net book value as at 31 December	<u>10,929</u>	<u>14,143</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2014

10. FURNITURE, FIXTURES AND OFFICE EQUIPMENT

Insurance Operations

	<i>Leasehold improvements SR'000</i>	<i>Computer equipment SR'000</i>	<i>Motor vehicles SR'000</i>	<i>Furniture fittings and office equipment SR'000</i>	<i>Total SR'000</i>
Cost:					
Balance at beginning of the year	3,722	8,417	294	2,313	14,746
Additions during the year	361	57	-	81	499
Balance at end of the year	4,083	8,474	294	2,394	15,245
Accumulated depreciation:					
Balance at beginning of the year	1,983	3,482	115	448	6,028
Charge for the year	1,281	2,116	59	315	3,771
Balance at end of the year	3,264	5,598	174	763	9,799
Net book value as at 31 December 2014	819	2,876	120	1,631	5,446
Net book value as at 31 December 2013	1,739	4,935	179	1,865	8,718

11. INVESTMENTS

	<i>31 December 2014 SR'000</i>	<i>31 December 2013 SR'000</i>
<i>Shareholders' Operations</i>		
Investments held to maturity	39,745	74,699
FVIS investments	71,134	13,643
	110,879	88,342

Investments held to maturity

Movement in investments classified as held to maturity (HTM) is as follows:

	<i>For the year ended 31 December 2014 SR'000</i>	<i>For the period from 8 February 2012 to 31 December 2013 SR'000</i>
Balance at beginning of the year / period	74,699	-
Purchases during the year / period	25,071	74,459
Matured during the year / period	(60,000)	-
Amortization during the year / period - net	(25)	240
Balance at end of the year / period	39,745	74,699

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2014

11. INVESTMENTS (continued)

FVIS investments

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

	<i>For the year ended 31 December 2014 SR'000</i>	<i>For the period from 8 February 2012 to 31 December 2013 SR'000</i>
Balance at beginning of the year / period	13,643	-
Purchases during the year / period	96,269	30,000
Disposals during the year / period	(38,657)	(15,000)
Changes in fair value during the year / period	(121)	(1,357)
Balance at end of the year / period	<u>71,134</u>	<u>13,643</u>

During the year ended 31 December 2014, the Company invested SR 37.20 million in Saudi equities as per a Discretionary Portfolio Management Agreement with Saudi Fransi Capital ("SFC"). Further, the Company also invested in 'Al Badr Murabaha fund', 'BlackRock Global Allocation fund', 'BlackRock Global Equity Income Fund', 'BlackRock Global Multi Asset Fund' and 'Saudi Istithmar Equity Fund' an amount of SR 29.9 million, SR 9.9 million, SR 8 million, SR 5 million and SR 6.27 million respectively. The balance at the beginning of the year pertains to investment in Saudi Fransi Emerging Markets Fixed Income Fund. The fair values of these investments were as follows:

	<i>31 December 2014 SR'000</i>	<i>31 December 2013 SR'000</i>
Discretionary Portfolio Management	27,950	-
Saudi Fransi Emerging Markets Fixed Income Fund	-	13,643
Al Badr Murabaha Fund	14,994	-
BlackRock Global Allocation Fund	10,074	-
BlackRock Global Equity Income Fund	7,602	-
BlackRock Global Multi Asset Fund	4,884	-
Saudi Istithmar Equity Fund	5,630	-
	<u>71,134</u>	<u>13,643</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2014

12. ACCRUED EXPENSES AND OTHER LIABILITIES

	<i>31 December 2014 SR'000</i>	<i>31 December 2013 SR'000</i>
Insurance Operations		
Payable to medical services providers	7,670	8,279
Employee related accruals	3,171	3,026
End of service benefits	1,991	1,083
Other liabilities	2,324	1,873
	<u>15,156</u>	<u>14,261</u>
	<i>31 December 2014 SR'000</i>	<i>31 December 2013 SR'000</i>
Shareholders' Operations		
Board related expenses	-	196
General assembly expenses	281	450
Other payables	793	240
	<u>1,074</u>	<u>886</u>

13. ZAKAT AND INCOME TAX

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

a) Zakat

Charge for the year / period

	<i>For the year ended 31 December 2014 SR'000</i>	<i>For the period from 8 February 2012 to 31 December 2013 SR'000</i>
Current year / period provision	<u>2,883</u>	<u>9,862</u>

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

	<i>For the year ended 31 December 2014 SR'000</i>	<i>For the period from 8 February 2012 to 31 December 2013 SR'000</i>
Non-current assets	16,375	22,861
Share capital	400,000	400,000
Statutory deposit	40,000	40,000
Net loss before Zakat	45,176	83,528

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2014

13. ZAKAT AND INCOME TAX (continued)

a) Zakat (continued)

Movement in the Zakat payable is as follows:

	<i>For the year ended 31 December 2014 SR'000</i>	<i>For the period from 8 February 2012 to 31 December 2013 SR'000</i>
Balance at the beginning of the year / period	6,032	-
Charge for the year / period	2,883	9,862
Payments made during the year / period	(1,407)	(3,830)
Balance at the end of the year / period	<u>7,508</u>	<u>6,032</u>

b) Income tax

As the Company has incurred losses during the year ended 31 December 2014 and during the period from 8 February 2012 to 31 December 2013, no provision has been established in respect of income tax in these financial statements.

c) Status of assessments

The Company has filed its Zakat and tax returns for the first fiscal twelve month period ended 31 December 2012 and also for the long period from 8 February 2012 to 31 December 2013, with the Department of Zakat and Income Tax ("DZIT"). The DZIT review is awaited.

During 2012, the Company received a letter from the DZIT, claiming additional Zakat amount of SR 9.72 million for the period from 6 June 2010 to 5 June 2012 on capital deposited in escrow account. Furthermore the DZIT issued another letter dated 23 July 2013 indicating additional Zakat liability of SR 0.5 million. The Company submitted an appeal against the DZIT treatment and is confident of a favourable outcome. Accordingly, no additional provision has been established in this regard in these financial statements.

14. SHARE CAPITAL

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

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

- a) In the prior period, the Company incurred a sum of SR 7.04 million as transaction costs to raise capital of SR 160 million through an IPO and this amount has been deducted from equity as part of accumulated losses. An amount of SR 3.91 million, included in SR 7.04 million mentioned above, was paid on behalf of the Company by a founding shareholder (note 19).

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2014

15. STATUTORY DEPOSIT

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

16. SELLING AND MARKETING EXPENSES

	<i>For the year ended 31 December 2014 SR'000</i>	<i>For the period from 8 February 2012 to 31 December 2013 SR'000</i>
Insurance Operations		
Employee costs	4,203	4,070
Commission expenses	2,871	1,660
Marketing expenses	442	459
Underwriting expenses required by statute	489	748
Other expenses	1,082	736
	<u>9,087</u>	<u>7,673</u>

17. GENERAL AND ADMINISTRATION EXPENSES

	<i>For the year ended 31 December 2014 SR'000</i>	<i>For the period from 8 February 2012 to 31 December 2013 SR'000</i>
Insurance Operations		
Employee costs	31,157	24,826
Net movement in allowance for doubtful premiums receivable (note 4)	(3,187)	5,015
Depreciation (note 10)	3,771	3,360
Amortization (note 9)	4,536	3,668
Rent expenses	2,137	2,026
Legal and professional fees	1,219	427
Repair and maintenance costs	3,110	3,281
Other expenses	2,249	1,901
	<u>44,992</u>	<u>44,504</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2014

17. GENERAL AND ADMINISTRATION EXPENSES (continued)

	<i>For the year ended 31 December 2014 SR'000</i>	<i>For the period from 8 February 2012 to 31 December 2013 SR'000</i>
Shareholders' Operations		
Employee costs	-	14,929
Repairs and maintenance	-	1,745
Rent	-	1,610
Communication expense	-	688
Statutory expenses	-	407
Legal and professional fees	-	905
Depreciation and amortization	-	2,423
Investment related expenses	871	725
Travelling	107	226
Subscriptions	300	300
Board expenses (note 17.1)	-	123
Others	373	1,315
	<u>1,651</u>	<u>25,396</u>

General and administration expenses of shareholders' operations mainly represent employee costs and other expenses incurred by the Company before the commencement of commercial operations. Subsequently, these expenses are charged to the statement of insurance operations.

17.1 BOARD EXPENSES

	<i>For the year ended 31 December 2014 SR'000</i>	<i>For the period from 8 February 2012 to 31 December 2013 SR'000</i>
Board attendance fees	-	90
Other board and sub-committee expenses	-	33
	<u>-</u>	<u>123</u>

- During the period ended 31 December 2013, the Board of Directors resolved to waive their remuneration until the Company becomes profitable. Accordingly, no remuneration is payable for 2014.
- Board attendance fees represent allowances for attending board meetings and sub-committee meetings.
- Other board and sub-committee expenses include fees of non-board members for attending committee meetings and other related sub-committee expenses.

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18. PRE-INCORPORATION EXPENSES

	<i>For the year ended 31 December 2014 SR'000</i>	<i>For the period from 8 February 2012 to 31 December 2013 SR'000</i>
Employee costs	-	4,171
Legal and professional fees	-	2,768
Office rent	-	1,800
Others	-	431
	<u>-</u>	<u>9,170</u>

- a) Pre-incorporation expenses represent costs incurred by a founding shareholder on behalf of the Company, and subsequently recharged to the Company, for the period up to 8 February 2012, being the date of the issuance of the Ministerial Resolution declaring the incorporation of the Company (note 19).

19. TRANSACTIONS WITH RELATED PARTIES

- a) In addition to details disclosed in notes 14, 17 and 18, following are the details of related party transactions for the year ended 31 December 2014 and the balances thereof:

<u>Related party</u>	<u>Nature of transactions</u>	<i>For the year ended 31 December 2014 SR'000</i>	<i>For the period from 8 February 2012 to 31 December 2013 SR'000</i>
Founding shareholders	Transaction costs paid on behalf of the Company and recharged to the Company	-	3,908
	Pre-incorporation expenses paid on behalf of the Company and recharged to the Company	-	9,170
	Furniture, fittings and office equipment acquired on behalf of the Company and recharged to the Company	-	16,800

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2014

19. TRANSACTIONS WITH RELATED PARTIES (continued)

<i>Related party</i>	<i>Nature of transactions</i>	<i>For the year ended 31 December 2014 SR'000</i>	<i>For the period from 8 February 2012 to 31 December 2013 SR'000</i>
<i>Founding shareholders (continued)</i>	General and administration expenses incurred on behalf of the Company and recharged to the Company	-	6,560
	Office rent	20	31
	Service charges	-	84
	Premiums written	392	281
	Claims paid	136	40
	Reinsurance ceded	13,124	21,809
	Claims recovered	25,699	6,939
	Training expenses	22	-
<i>Others</i>	Purchase of computer equipment, licenses and other services	307	11,566
	Premiums written	7,410	2,796
	Claims paid	5,568	154
	Commission paid	555	505
	Purchase / maintenance of computer software	2,394	17,355
	International provider network fee	128	-
<i>Key management personnel</i>	Short-term benefits	3,944	6,403
	Long-term benefits	142	282

b) Amounts due from / to related parties are disclosed in the statement of financial position.

c) Amounts relating to reinsurance receivable and reinsurance balance payable are disclosed in the statement of financial position.

20. RISK MANAGEMENT

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

Risk management structure

Board of Directors

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2014

20. RISK MANAGEMENT (continued)

Risk management structure (continued)

Audit committee

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

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

Insurance risk

Insurance risk is the risk that actual claims payable to policyholders exceed the carrying amount of insurance liabilities. The objective of the Insurance Operations is to ensure that sufficient reserves are available to cover these liabilities. The Insurance Operations manages this risk by ensuring that adequate reinsurance cover is taken to restrict the maximum loss payable for any individual claim. The Company only issues short term contracts in connection with medical risks.

Frequency and amounts of claims

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

Geographical concentration of risks

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

Independent actuarial review of claims and claims reserves

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

Key assumptions

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

Sensitivities

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

	Change in assumptions	Impact on net liabilities SR' 000	Impact on insurance operations and accumulated surplus SR' 000
Ultimate loss ratio – Insurance Operations			
Year ended 31 December 2014	± 5%	91	91
For the period from 8 February 2012 to 31 December 2013	± 5%	184	184

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2014

20. RISK MANAGEMENT (continued)

Reinsurance risk

In common with other insurance companies, in order to minimise financial exposure arising from a high volume of claims or large claims, the Insurance Operations, in the normal course of business, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth.

Furthermore, to minimise its exposure to significant losses from reinsurers' insolvencies, the Insurance Operations evaluates the financial condition of its reinsurers. The Insurance Operations has a modified quota-share reinsurance arrangement with an international reinsurance company, with Standard & Poors "AA-" rating. This reinsurance arrangement covers all individual and group contracts issued by the Insurance Operations in the Kingdom of Saudi Arabia. Under the arrangement, the Insurance Operations retains 50% of the insurance cover per life ranging between SR 250 thousand to SR 1,000 thousand.

The credit risk exposure in respect of reinsurer's share of outstanding claims is SR 1,827 thousand (31 December 2013: SR 3,680 thousand) and in respect of reinsurance balances receivable is SR 4,167 thousand (31 December 2013: SR 4,936 thousand).

Regulatory framework risk

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

Capital management (solvency) risk

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

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

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

	2014 SR'000	2013 SR'000
Minimum regulatory capital	100,000	100,000

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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20. RISK MANAGEMENT (continued)

Financial risk

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

The Company does not enter into derivative transactions.

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

Market price risk

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

The Shareholders' Operations are exposed to market risk with respect to their FVIS investments. A 5% change in the fair value of FVIS investments, with all other variables held constant, would impact the Shareholders' Operations by SR 3,557 thousands (31 December 2013 : SR 682 thousands).

Commission rate risk

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

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

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

<i>Shareholder's Operations</i>	<i>SR '000</i>			<i>Total</i>
	<i>Less than 3 months</i>	<i>3 months to 1 year</i>	<i>No fixed maturity</i>	
2014				
Murabaha deposits	105,084	-	-	105,084
2013				
Murabaha deposits	30,056	135,000	-	165,056

The insurance operations did not have any commission bearing assets as at 31 December 2014 (2013 : same).

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

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

	<i>2014</i>	<i>2013</i>
<i>Shareholder's Operations</i>		
Saudi Arabian Riyal denominated Murabaha deposits	0.82%	1.75%

The Company had no deposits in currencies other than Saudi Arabian Riyals.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2014

20. RISK MANAGEMENT (continued)

Financial risk (continued)

Commission rate risk (continued)

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

	2014 SR'000	2013 SR'000
<i>Shareholder's Operations</i>		
<i>Saudi Arabian Riyals:</i>		
Increase in commission rates by 100 basis points	1,051	1,651
Decrease in commission rates by 100 basis points	(1,051)	(1,651)

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of losses due to exchange rate fluctuations as the Company primarily deals in Saudi Arabian Riyals and in United States Dollars. The Saudi Arabian Riyals is pegged to the US dollar.

Credit risk

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

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

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

	2014 SR'000	2013 SR'000
<i>Insurance Operations</i>		
Cash at banks (note 3)	1,187	1,245
Premium receivable, net	6,078	21,759
Reinsurance receivable	4,167	4,936
Reinsurer's share of outstanding claims	1,827	3,680
Other receivables	110	98
	<u>13,369</u>	<u>31,718</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2014

20. RISK MANAGEMENT (continued)

Financial risk (continued)

	2014 SR'000	2013 SR'000
<i>Shareholders' Operations</i>		
Cash and cash equivalents	105,138	38,390
Murabaha deposits	-	135,000
Investments held to maturity	39,745	74,699
Amounts due from Insurance Operations	3,156	3,828
Amounts due from a related party	-	83
Statutory deposit	40,000	40,000
Other receivables	929	1,986
	188,968	293,986

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties. Investment grade is considered to be the highest possible rating. Assets falling outside the range of investment grade are classified as non-investment grade (satisfactory) or past due but not impaired.

Insurance operations' financial assets

	Investment grade SR' 000	Non-investment grade		
		Satisfactory SR' 000	Past due but not impaired SR' 000	Total SR' 000
Cash and cash equivalents	1,187	-	-	1,187
Premiums receivable, net	-	3,391	2,687	6,078
Reinsurance receivable	-	4,167	-	4,167
Reinsurance share of outstanding claims	-	1,827	-	1,827
Other receivables	-	110	-	110
As at 31 December 2014	1,187	9,495	2,687	13,369
Cash and cash equivalents	1,245	-	-	1,245
Premiums receivable, net	-	5,808	15,951	21,759
Reinsurance receivable	-	4,936	-	4,936
Reinsurance share of outstanding claims	-	3,680	-	3,680
Other receivables	-	98	-	98
As at 31 December 2013	1,245	14,522	15,951	31,718

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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20. RISK MANAGEMENT (continued)

Financial risk (continued)

Credit risk (continued)

Shareholders' operations' financial assets

	Investment grade	Non-investment grade		Total
		Satisfactory	Past due but not impaired	
Cash and cash equivalents	105,138	-	-	105,138
Investments	39,745	-	-	39,745
Other receivables	-	929	-	929
Statutory deposit	40,000	-	-	40,000
Amounts due from insurance operations	-	3,156	-	3,156
As at 31 December 2014	184,883	4,085	-	188,968
Cash and cash equivalents	38,390	-	-	38,390
Murabaha deposits	135,000	-	-	135,000
Investments	74,699	-	-	74,699
Other receivables	-	1,986	-	1,986
Amounts due from a related party	-	83	-	83
Statutory deposit	40,000	-	-	40,000
Amounts due from insurance operations	-	3,828	-	3,828
As at 31 December 2013	288,089	5,897	-	293,986

Liquidity risk

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

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

21. SEGMENT INFORMATION

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2014

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

The Company's financial assets include cash and cash equivalents, Murabaha deposits, premiums receivable, reinsurance receivable, other receivables, investments, amounts due from a related party and amount due from insurance operations. The Company's financial liabilities consist of outstanding claims, reinsurance balance payable, amount due to shareholders' operations, amounts due to related parties and certain other liabilities. The fair values of financial instruments are not materially different from their carrying values. At 31 December 2014 and 2013, apart from the investments which are carried at fair value, there were no other financial instruments held by the Company that were measured at fair value.

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

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

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

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

As at 31 December 2014 and 31 December 2013, all financial instruments, which are fair valued, are Level 2 instruments. There were no transfers between levels during the year ended 31 December 2014 and period ended 31 December 2013.

23. LOSS PER SHARE

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2014

24. COMMITMENTS AND CONTINGENCIES

Insurance Operations

- a) Operating lease commitments:

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

	<i>31 December 2014 SR'000</i>	<i>31 December 2013 SR'000</i>
Within one year	1,790	1,790
After one year but no more than five years	1,790	3,581
	<u>3,580</u>	<u>5,371</u>

- b) There were no capital commitments outstanding as at 31 December 2014 (2013: Nil).
- c) As at 31 December 2014, a performance guarantee amounting to SR 500 thousand (2013: SR 500 thousand) was issued to the medical service providers on behalf of the Company. The Company placed an advance equivalent to the amount of performance guarantee with a bank as security for issuing such a guarantee. The other assets of insurance operations disclosed in note 8 include this amount.

25. COMPARATIVE FIGURES

Certain of the prior period amounts which are not significant to the financial statements have been reclassified to conform with the presentation in the current year.

26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were authorized for issue by the Board of Directors on 18 February 2015 (corresponding to 29 Rabi Al Thani 1436H).