The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
(A Saudi Joint Stock Company)

Financial Statements and Independent Auditors' Report
For the Year Ended 31 December 2015

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Aldar Audit Bureau
Abdullah Al Basri & Co.
Member Firm of Grant Thornton International

AUDIT REPORT
TO THE SHAREHOLDERS OF THE MEDITERRANEAN AND GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

SCOPE OF AUDIT
We have audited the accompanying statement of financial position of The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (A Saudi Joint Stock Company) (the "Company") as at December 31, 2015 and the related statements of income and comprehensive (loss) / income - insurance operations and accumulated surplus, income and comprehensive (loss) / income - shareholders' operations, statements of changes in shareholders' equity and cash flows for insurance and shareholders' operations for the year then ended and notes 1 to 32 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 from 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 December 31, 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 MATTER
We draw attention to the fact that these financial statements are prepared in accordance with International Financial Reporting Framework and not in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia as issued by the Saudi Organization for Certified Public Accountants.

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ALDAR AUDIT BUREAU
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Certified Accountants
Abdullah Al Basri & Co.

Jumada Al-Awwal 15, 1437H
February 24, 2016

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION
As At 31 December 2015
(Amounts in SR'000)

	Notes	*31 December 2015*	*31 December 2014*
INSURANCE OPERATIONS' ASSETS			
Bank balances and cash	7	595,318	688,967
Time deposits	8	197,790	227,222
Policyholders' and reinsurance balances receivable	9	1,688,147	1,325,050
Investments	13 (a)	60,224	97,733
Due from related parties	10	72,606	73,752
Due from shareholders' operations		157,118	-
Reinsurers' share of outstanding claims	11 (a)	671,314	651,680
Reinsurers' share of unearned premiums	15	713,158	1,033,651
Deferred policy acquisition costs	16	181,807	200,486
Prepayments and other assets	14	54,851	27,211
Property and equipment, net	17	55,219	51,564
TOTAL INSURANCE OPERATIONS' ASSETS		4,447,552	4,377,316
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	7	108,912	241,619
Time deposits	8	96,052	-
Due from insurance operations		-	60,874
Investments	13 (b)	242,014	270,415
Prepayments and other assets	14	1,782	1,679
Investment in an associate	12	12,095	6,000
Land		30,000	30,000
Statutory deposit	18	107,757	107,382
Goodwill	19	480,000	480,000
TOTAL SHAREHOLDERS' ASSETS		1,078,612	1,197,969
TOTAL ASSETS		5,526,164	5,575,285

The accompanying notes 1 to 32 form an integral part of these financial statements.

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION (Continued)
As At 31 December 2015
(Amounts in SR'000)

	Notes	*31 December 2015*	*31 December 2014*
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Gross outstanding claims	11 (a)	1,664,788	1,272,301
Due to related parties	10	40,589	28,179
Due to shareholders' operations		-	60,874
Accounts and commission payable		211,837	180,814
Accrued expenses and other liabilities	20	156,593	78,245
Reinsurance balances payable		120,216	84,139
Surplus distribution payable		106,591	106,591
Unearned reinsurance commission	22	56,315	73,458
Gross unearned premiums	15	2,054,448	2,483,739
Other reserves	11 (b)	34,350	7,132
TOTAL INSURANCE OPERATIONS' LIABILITIES		4,445,727	4,375,472
INSURANCE OPERATIONS' SURPLUS			
Cumulative change in fair values of available for sale investments	13 (a)	1,825	1,844
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS		4,447,552	4,377,316
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Accrued expenses and other liabilities	20	8,519	2,392
Provision for zakat and income tax	25	844	19,507
Due to insurance operations		157,118	-
TOTAL SHAREHOLDERS' LIABILITIES		166,481	21,899
SHAREHOLDERS' EQUITY			
Share capital	26	1,000,000	1,000,000
Statutory reserve	5	146,135	146,135
Accumulated (deficit) / surplus		(249,265)	19,990
Cumulative change in fair values of available for sale investments	13 (b)	15,261	9,945
TOTAL SHAREHOLDERS' EQUITY		912,131	1,176,070
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		1,078,612	1,197,969
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		5,526,164	5,575,285

The accompanying notes 1 to 32 form an integral part of these financial statements.

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
(A Saudi Joint Stock Company)

STATEMENT OF INCOME - INSURANCE OPERATIONS AND ACCUMULATED SURPLUS

For the Year Ended 31 December 2015
(Amounts in SR'000)

	Notes	*31 December 2015*	*31 December 2014*
Gross premiums written	15	4,001,934	4,415,993
Less: Reinsurance premiums ceded		(629,566)	(1,197,206)
Excess of loss premiums		(13,853)	(20,740)
NET PREMIUMS WRITTEN		3,358,515	3,198,047
Change in unearned premiums, net		108,798	(70,860)
NET PREMIUMS EARNED		3,467,313	3,127,187
Gross claims paid and other expenses	11 (a)	(3,557,372)	(3,541,412)
Reinsurers' share of gross claims paid	11 (a)	688,741	694,946
Change in outstanding claims, net		(372,853)	225,597
Change in other reserves	11 (b)	(27,218)	(804)
NET CLAIMS INCURRED	11 (a)	(3,268,702)	(2,621,673)
Policy acquisition costs	16 (a)	(227,317)	(162,691)
Reinsurance commission income	22	110,880	78,593
NET UNDERWRITING RESULT		82,174	421,416
General and administrative expenses	23	(397,469)	(290,726)
Special commission income		5,902	7,888
Other income	24	60,173	71,375
INSURANCE OPERATIONS' (DEFICIT) / SURPLUS	3	(249,220)	209,953
Shareholders' appropriation from insurance operations' deficit / (surplus)	3	249,220	(188,958)
Insurance operations' surplus after shareholders' appropriation		-	20,995
Surplus share transferred to policyholders'	3	-	(20,995)
ACCUMULATED SURPLUS AT THE END OF THE YEAR		-	-

The accompanying notes 1 to 32 form an integral part of these financial statements.

STATEMENT OF INSURANCE OPERATIONS' COMPREHENSIVE (LOSS) / INCOME
For the Year Ended 31 December 2015
(Amounts in SR'000)

	Note	*31 December 2015*	*31 December 2014*
INSURANCE OPERATION' SURPLUS AFTER SHAREHOLDERS' APPROPRIATION		-	20,995
Other comprehensive loss:			
Items that may be reclassified to statement of income in subsequent year			
Available for sale investments			
Change in fair values	13 (a)	(9)	225
Gain transferred to statement of income	13 (a)	(10)	-
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		(19)	21,220

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
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STATEMENT OF INCOME - SHAREHOLDERS' OPERATIONS
For the Year Ended 31 December 2015
(Amounts in SR'000)

	Notes	*31 December 2015*	*31 December 2014*
INCOME			
Shareholders' appropriation from insurance operations' (deficit) / surplus	3	(249,220)	188,958
Special commission income		7,110	7,312
Realised gain / (loss) on sale of available for sale investments	13 (b)	774	(1,021)
Dividend income on available for sale investments		996	1,831
Income from investment in an associate		6,095	-
		(234,245)	197,080
EXPENSES			
General and administrative expenses	23	(10,829)	(3,582)
Impairment losses on available for sale investments	13 (b)	(16,193)	-
		(27,022)	(3,582)
NET (LOSS) / INCOME FOR THE YEAR		(261,267)	193,498
BASIC AND DILUTED (LOSSES) / EARNINGS PER SHARE	27	(2.61)	1.93

The accompanying notes 1 to 32 form an integral part of these financial statements.

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
(A Saudi Joint Stock Company)

STATEMENT OF SHAREHOLDERS' COMPREHENSIVE (LOSS) / INCOME
For the Year Ended 31 December 2015
(Amounts in SR'000)

	Note	*31 December 2015*	*31 December 2014*
NET (LOSS) / INCOME FOR THE YEAR		**(261,267)**	**193,498**
Other comprehensive (loss) / income:			
Items that may not be reclassified to statement of income in subsequent year			
Zakat and income tax	**25 (c)**	**(7,988)**	**(7,053)**
Items that may be reclassified to statement of income in subsequent year			
Available for sale investments			
Change in fair values		**(10,103)**	**(7,330)**
(Gain) / Loss transferred to statement of income	**13 (b)**	**(774)**	**1,021**
Impairment loss transferred to statement of income		**16,193**	**-**
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		**(263,939)**	**180,136**

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the Year Ended 31 December 2015
(Amounts in SR'000)

	Share capital	*Statutory reserve*	*Accumulated (deficit) / earnings*	*Cumulative change in fair value of available for sale investments*	*Total*
Balance at 1 January 2015	**1,000,000**	**146,135**	**19,990**	**9,945**	**1,176,070**
Total comprehensive (loss) for the year					
Net loss for the year	-	-	(261,267)	-	(261,267)
Zakat and income tax	-	-	(7,988)	-	(7,988)
Change in fair values	-	-	-	(10,103)	(10,103)
Gain transferred to statement of income shareholders' operations	-	-	-	(774)	(774)
Impairment loss transferred to statement of income shareholders' operations				16,193	16,193
Balance at 31 December 2015	**1,000,000**	**146,135**	**(249,265)**	**15,261**	**912,131**
Balance at 1 January 2014	1,000,000	139,374	(159,694)	16,254	995,934
Total comprehensive income for the year					
Net income for the year	-	-	193,498	-	193,498
Zakat and income tax	-	-	(7,053)	-	(7,053)
Change in fair values	-	-	-	(7,330)	(7,330)
Loss transferred to statement of income shareholders' operations	-	-	-	1,021	1,021
Transfer to statutory reserve	-	6,761	(6,761)	-	-
Balance at 31 December 2014	1,000,000	146,135	19,990	9,945	1,176,070

The accompanying notes 1 to 32 form an integral part of these financial statements.

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
(A Saudi Joint Stock Company)

STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
For the Year Ended 31 December 2015
(Amounts in SR'000)

	Notes	*31 December 2015*	*31 December 2014*
CASH FLOWS FROM OPERATING ACTIVITIES			
Insurance operations' surplus after shareholders' appropriation		-	20,995
Adjustments to reconcile insurance operations' surplus after shareholders' appropriation to net cash used in operating activities:			
Depreciation	17	9,073	10,040
Provision for doubtful debts		10,000	-
Special commission income		(5,902)	(7,888)
Gain on sale of property and equipment, net		(90)	(144)
Realised gain on available for sale investment		(10)	-
Cash from operations		13,071	23,003
Changes in operating assets and liabilities:			
Gross unearned premiums		(429,291)	185,108
Reinsurers' share of unearned premiums		320,493	(114,248)
Policyholders' and reinsurance balances receivable		(373,097)	(84,996)
Due from related parties		1,146	(4,912)
Due to related parties		12,410	16,098
Reinsurers' share of outstanding claims		(19,634)	(45,992)
Deferred policy acquisition costs		18,679	(25,632)
Prepayments and other assets		(27,640)	90,884
Deposit against letters of guarantee		(6,049)	(7,974)
Gross outstanding claims		392,487	(179,605)
Due (from) / to shareholders' operations, net		(217,992)	329,752
Accounts and commissions payable		31,023	107,499
Accrued expenses and other liabilities		78,348	(614)
Reinsurance balances payable		36,077	(210,263)
Unearned reinsurance commission		(17,143)	33,685
Other reserves		27,218	804
Net cash (utilized) / generated from operating activities		(159,894)	112,597
CASH FLOWS FROM INVESTING ACTIVITIES			
Time deposits		29,432	(97,583)
Special commission income		5,902	7,888
Proceeds from sale of property and equipment		241	330
Proceeds from sale of available for sale investments	13 (a)	37,500	20,000
Purchase of available for sale investments	13 (a)	-	(26,632)
Purchase of property and equipment		(12,879)	(22,202)
Net cash from / (used in) investing activities		60,196	(118,199)
DECREASE IN CASH AND CASH EQUIVALENTS		(99,698)	(5,602)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	7	673,942	679,544
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	574,244	673,942
Non-cash transaction:			
Change in fair values of available for sale investments	13 (a)	(19)	225

The accompanying notes 1 to 32 form an integral part of these financial statements.

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
(A Saudi Joint Stock Company)

STATEMENT OF SHAREHOLDERS' CASH FLOWS
For the Year Ended 31 December 2015
(Amounts in SR'000)

	Notes	*31 December 2015*	*31 December 2014*
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) / income for the year		(261,267)	193,498
Adjustments for:			
Special commission income		(7,110)	(7,312)
Dividend income on available for sale investments		(996)	(1,831)
Realised (loss) / gain on sale of available for sale investments		(774)	1,021
Income on investment in an associate		(6,095)	-
Impairment losses on available for sale investment		16,193	-
Cash from operations		(260,049)	185,376
Changes in operating assets and liabilities:			
Due to / (from) insurance operations, net		217,992	(329,752)
Prepayments and other assets		(103)	1,108
Zakat and income tax paid	25 (c)	(26,651)	-
Accrued expenses and other liabilities		6,127	1,492
Interest on statutory deposit		(375)	(1,073)
Net cash utilized from operating activities		(63,059)	(142,849)
CASH FLOWS FROM INVESTING ACTIVITIES			
Time deposits		(96,052)	126,149
Purchase of available for sale investments	13 (b)	-	(122,627)
Proceeds from sale of available for sale investments	13 (b)	18,298	56,009
Special commission income		7,110	7,312
Dividend income on available for sale investments		996	1,831
Net cash (used in) / from investing activities		(69,648)	68,674
DECREASE IN CASH AND CASH EQUIVALENTS		(132,707)	(74,175)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	7	241,619	315,794
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	108,912	241,619
Non-cash transactions:			
Change in fair values of available for sale investments	13 (b)	5,316	(6,309)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010231925 dated 8 Rabi Thani 1428H (corresponding to 26 April 2007). The registered office address of the Company is P.O. Box 2302, Riyadh 11451, Kingdom of Saudi Arabia. The objectives of the Company are to transact cooperative insurance and reinsurance business and related activities in the Kingdom of Saudi Arabia. Its principal lines of business include all classes of general insurance. The Company was listed on the Saudi Arabian Stock Exchange (Tadawul) on 28 Rabi Al-Awal 1428H (corresponding to 16 April 2007).

2. BASIS OF PREPARATION

Basis of measurement
The financial statements have been prepared on a historical cost basis except for the measurement at fair value of available for sale investments and investment in an associate which is accounted for under the equity method.

Statement of compliance
The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by International Accounting Standard Board (IASB).

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations and presents the financial statements accordingly. 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.

Functional and presentational currency
The functional and presentational currency of the Company is Saudi Arabian Riyals. The financial statement are presented in Saudi Riyal rounded to nearest thousand (SAR'000) unless otherwise stated.

3. SURPLUS DISTRIBUTION

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% to be allocated to the shareholders of the Company in accordance with the Insurance Law and Implementation Regulations issued by the Saudi Arabian Monetary Agency ("SAMA").

The insurance operations' deficit of the Company for the year ended 31 December 2015 amounted to SR 249,220 thousand (31 December 2014: surplus of SR 209,953 thousand). Accordingly, there was no transfer from insurance operations to the shareholders' operations for the year ended 31 December 2015 (31 December 2014: 90% of insurance operation surplus amounting to SR 188,958 thousand was transferred to the shareholders' operations for the year, leaving a surplus payable to policyholders of SR 20,995 thousand).

4. SIGNIFICANT ACCOUNTING POLICIES AND AMENDMENTS TO STANDARDS

The significant accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2014. The Company has adopted the following new standards and amendment, which are effective for the Company's financial years starting 2015 and thereafter. Adoption of these standards will not result any significant impact on the Company's financial statements:

New and amended standards issued and adopted

- Amendments to IAS 19 applicable for annual periods beginning on or after 1 July 2014 is 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.

4. SIGNIFICANT ACCOUNTING POLICIES AND AMENDMENTS TO STANDARDS (Continued)

New and amended standards issued and adopted (continued)

- 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 1 – "first time adoption of IFRS": the amendment clarifies that a first time adopter is permitted but not required to apply a new or revised IFRS that is not yet mandatory but is available for early adoption.

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.

Standards issued but not yet effective

IFRS 9 - Financial instruments: In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

Amendments to IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortization: The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its noncurrent assets.

Amendments to IAS 1 - Disclosure Initiative: The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. These amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed in preparation of these financial statements:

Cash and cash equivalents
Cash and cash equivalents comprise of cash in hand and at banks and short-term time deposits with an original maturity of less than three months at the date of acquisition.

Goodwill
Goodwill represents the fair value of the consideration paid in excess of the fair value of net assets or liabilities acquired. Goodwill is tested for impairment by management at least once at the end of each financial year. Impairment for goodwill is determined by assessing the recoverable amount of the cash generating unit (or a group of cash generating units) to which the goodwill is related. When the recoverable amount of the cash-generating unit (or a group of cash generating units) is less than the carrying amount of the cash generating unit (or a group of cash generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Land, property and equipment
Land is stated at cost less any impairment and is not depreciated. 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 asset. Depreciation is charged to the statement of insurance operations and accumulated surplus on a straight line basis at the following depreciation rates:

	Rates
Leasehold improvements	15% - 25%
Office equipment, furniture and fixtures	10% - 15%
Computers	25%
Motor vehicles	25%

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

Investments
All investments are initially recognised at fair value, being the fair value of the consideration given, including acquisition charges associated with the investment except for investments at fair value through profit or loss. Premiums and discounts are amortized on a systematic basis to their maturity. For investments that are traded in organized financial markets, fair value is determined by reference to exchange quoted market bid prices at the close of business on the statement of financial position date without any deduction for transaction costs.

(a) Available for sale investments
Investments which are classified as "available for sale" are subsequently measured at fair value. Available for sale investments are those investments that are not held to maturity nor held for trading. For an available for sale investment where the fair value has not been hedged, any unrealized gain or loss arising from a change in its fair value is recognised directly under insurance operations' surplus and / or shareholders' comprehensive income until the investment is derecognized or impaired at which time the cumulative gain or loss previously recognised under the insurance operations' surplus and / or shareholders' comprehensive income is included in the statement of insurance operations and accumulated surplus and / or shareholders' operations for the year. Available for sale investments whose fair value cannot be reliably measured are carried at amortised cost less impairment provision.

(b) Investments in held to maturity securities
Investments which have fixed or determinable payments that the Company has the positive intention and ability to hold to maturity are subsequently measured at amortized cost, less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognised in the statement of shareholders' operations when the investment is derecognized or impaired.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Investment in an associate
Associates are enterprises in which the Company generally holds 20% to 50% of the voting power and / or over which it exercises significant influence. Investments in an associates are carried in the statement of financial position at cost, plus post acquisition changes in the Company's share of net assets of the associate, less any impairment in the value of individual investments.

Statutory reserve
In accordance with its bylaws, the Company shall allocate 20% of its net income from shareholders' operations each year to the statutory reserve until it has built up a reserve equal to the share capital. The reserve is not available for distribution.

Impairment and un-collectability of financial assets
An assessment is made at each statement of financial position date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, any impairment loss is recognized in the statement of shareholders' operations. Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between the cost and fair value (fair value being lower than cost), less any impairment loss previously recognized in the statement of shareholders' operations
- For assets carried at cost, impairment is the difference between the cost and the present value (present value being lower than cost) of future cash flows discounted at the current market rate of return for a similar financial asset.
- For assets carried at amortized cost, impairment is determined based on future cash flows that are discounted at the original effective special commission rate.

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

Zakat and income tax
Zakat and income tax are provided for in accordance with the Saudi Arabian Zakat and Tax Regulations and are charged to the statement of shareholders' comprehensive income.

Special commission income
Special commission income from time deposits is recognized on an effective yield basis.

Dividend income
Dividend income is recognised when the right to receive dividend is established.

Provisions
Provisions are recognised when the Company has an obligation (legal or constructive) arising from past events, and the costs to settle the obligation are both probable and may be measured reliably. Provisions are not recognised for future operating losses.

Trade date accounting
All regular way purchases and sales of financial assets are recognized / derecognized 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.

Employees' end of service benefits
The Company provides end-of-service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to Saudi Riyals at the rate of exchange prevailing at the statement of financial position date. All differences are taken to the statements of income - insurance operations and accumulated surplus and shareholders' comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Foreign exchange gains or losses on available for sale investments are recognised in 'insurance operations surplus' in the statement of insurance operations and other comprehensive income under the statement of shareholders' comprehensive operations. As the company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant.

Offsetting financial assets and liabilities

Financial assets and 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 liability simultaneously. Income and expense are not offset in the statement of shareholders' operations unless required or permitted by any accounting standard or interpretation.

Premiums earned and commission income

Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis. For engineering construction projects with policy terms in excess of one year, the premium are taken into income linearly over the policy term. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage.

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

Commission receivable on reinsurance contracts are deferred and amortised on a straight-line basis over the term of the reinsurance contracts.

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:

- Actual number of days for all lines of business, except
- For engineering construction projects with policy terms in excess of one year, it is assumed that the risk is increasing linearly over the policy term.
- Last three month of premiums for marine cargo business

Premiums receivable

Premiums receivable are recognized when due and are measured on initial recognition at the fair value of the considerations received or receivable. The carrying value of premiums receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of insurance operations and accumulated surplus. Premiums receivable are derecognized when the de-recognition criteria for financial assets have been met.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Claims
Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, and are charged to statement of income - insurance operations and accumulated surplus / deficit as incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the date of statement of financial position, whether reported or not. Provisions for reported claims not paid as at the date of statement of financial position are made on the basis of individual case estimates. 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 date of statement of financial position. The ultimate liability may be in excess of or less than the amount provided.

Any difference between the provisions at the date of statement of financial position and settlements and provisions in the following year is included in the underwriting account for that year. The Company does not discount its liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

Liability adequacy test
At each statement of financial position 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 the statement of insurance operations and accumulated surplus and an unexpired risk provision is created.

Deferred policy acquisition costs
Commissions, SAMA fees, CCHI fees, TPA fees, partial administration cost (related to underwriting and issue of policy), and other costs directly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate, similar to premiums earned. All other acquisition costs are recognised as an expense when incurred. Amortization is recorded in the statement of insurance operations and accumulated surplus.

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 amortization period and are treated as a change in accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. If the assumptions relating to future profitability of these policies are not realised, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of insurance operations and accumulated surplus. Deferred policy acquisition costs are also considered in the liability adequacy test for each reporting period.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reinsurance
The Company cedes insurance risk in the normal course of business. 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 year. 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.

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.

Unearned reinsurance commission
Commission receivable on outwards reinsurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate. Amortisation is recorded in the statement of insurance operations.

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.

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.

Fair values
The fair value of financial assets 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 flow using commission for items with similar terms and risk characteristics.

For financial assets where there is no active market, fair value is determined by reference to the market value of a similar financial assets or where the fair values cannot be derived from active market, they are determined using a variety of valuation techniques that includes the use of mathematical models. The inputs of this models is taken from observable market where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Segmental reporting

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incurs 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. For management purposes, the Company is organized into business units based on their products and services and has three reportable operating segments as follows:

- Medical insurance, which covers medical costs, medicines, and all other medical services and supplies.
- Motor Insurance, which provides coverage against losses and liability related to motor vehicles.
- Other classes, which covers any other classes of insurance not included above.

Shareholders' operations' 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 loss or surplus from the insurance operations is allocated to this segment on an appropriate basis.

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from income or loss in the accompanying financial statements.

No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices 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.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

The ultimate liability arising from claims made under insurance contracts

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 needed to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on quarterly basis.

The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers

6. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

Impairment losses on receivables
The Company assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status being indicative of the ability to pay all amounts due as per contractual terms.

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

Goodwill
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows.

Critical accounting judgments, estimates and assumptions
The preparation of financial statements requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and related disclosure at the date of the financial statements and the reported amounts of revenues and expenses for the reporting year. Although these estimates and judgments are based on management's best knowledge of the current events and actions but the actual results may ultimately differ from these estimates.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities for the current year and could also have an impact on the subsequent financial year. Such estimates and judgments are constantly assessed based on historical experience and other factors such as expectations of future events that are believed to be reasonable under the current circumstances.

Estimation of insurance contracts reserves:

Following are the critical areas of estimation and judgments for medical business for which the Company acquires services of independent actuary to determine such reserves.

(i) Incurred but not reported claims (IBNR)

As a first step towards setting appropriate IBNR reserves for the medical and motor line of businesses, a runoff analysis is prepared to assess how the claims reserves determined at the previous valuation dates compare with actual developments.
Results from runoff analysis are taken into consideration while setting reserves for IBNR claims. An analysis is carried out by using the following methods:

- Chain Ladder method - this builds up, using historical claims payment patterns, ratios of eventual cumulative claims which have been incurred in a particular period to those which have been paid as at the end of a reporting period.
- Bornhuetter Ferguson method – this is a technique that combines actual past claims experience and any prior information or expectations that might be available concerning claims, for example expected ultimate loss ratios.
- Expected Loss Ratio method – this technique determines the projected amount of claims relative to earned premiums. The method is used where the insurer lacks the appropriate past claim occurrence data because of changes in product offerings, change in claims settlement processes, etc.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

(ii) Premium deficiency reserve

Estimation of the premium deficiency for medical and motor 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 realize in the future.

7. BANK BALANCES AND CASH

	31 December 2015		*31 December 2014*	
	SR'000	*SR'000*	*SR'000*	*SR'000*
	Insurance operations	***Shareholders' operations***	*Insurance operations*	*Shareholders' operations*
Cash in hand and at banks	**231,194**	**2,122**	446,466	18,120
Short-term time deposits	**343,050**	**106,790**	227,476	223,499
Cash and cash equivalents in the statement of cash flows	**574,244**	**108,912**	673,942	241,619
Deposits against letters of guarantee	**21,074**	**-**	15,025	-
	595,318	**108,912**	688,967	241,619

Cash at banks and short-term time deposits are placed with counterparties who have credit ratings equivalent to A+ to BBB ratings under Standard and Poor's, Fitch and Moody's ratings methodology.

Short-term time deposits are placed with local and licensed foreign banks' branches in Kingdom of Saudi Arabia with an original maturity of less than three months from the date of acquisition and earned special commission income at an average rate of 1.95% per annum (2014: 0.77% per annum). The carrying amounts disclosed above reasonably approximate the fair value at the statement of financial position date.

Deposits against letters of guarantee comprise amounts placed with a local bank against issuance of payment guarantees in favour of the Company's customers and service providers (note 29). As deposits against letters of guarantee cannot be withdrawn before the end of guarantee and are restricted in nature.

8. TIME DEPOSITS

Time deposits are placed with counterparties that have credit ratings equivalent to BBB+ to BBB ratings under Standard and Poor's, Fitch and Moody's ratings methodology.

Time deposits are placed with local and licensed foreign banks' branches in Kingdom of Saudi Arabia with a maturity of more than three months from the date of original acquisition and earned special commission income at an average rate of 1.38% per annum (2014: 1.09% per annum).

The carrying amounts of the time deposits reasonably approximate the fair value at the statement of financial position date.

9. POLICYHOLDERS' AND REINSURANCE BALANCES RECEIVABLE

	2015 *SR'000*	*2014* *SR'000*
Policyholders' balances receivable	**1,234,356**	1,229,690
Less: Provision for doubtful debts	**(147,862)**	(136,570)
	1,086,494	1,093,120
Reinsurance balances receivable	**605,292**	236,861
Less: Provision for doubtful debts	**(3,639)**	(4,931)
	601,653	231,930
Total policyholders' and reinsurance balances receivable	**1,688,147**	1,325,050

As at December 31, 2015, the movement in the provision for doubtful debts of premium receivables was as follows:

	2015 *SR'000*	*2014* *SR'000*
Balance, January 1	**136,570**	138,287
Provision / (reversal) for the year	**11,292**	(1,716)
Balance, December 31	**147,862**	136,570

As at December 31, 2015, the movement in the provision for doubtful debts of reinsurance receivables was as follows:

	2015 *SR'000*	*2014* *SR'000*
Balance, January 1	**4,931**	3,215
(Reversal) / provision for the year	**(1,292)**	1,716
Balance, December 31	**3,639**	4,931

9. PREMIUMS AND REINSURANCE BALANCES RECEIVABLE (Continued)

The aging analysis of gross premiums and reinsurance balances receivable is as at 31 December 2015 and 2014 is set as below:

			Past due but not impaired			
	Total SR'000	*Neither past due nor impaired SR'000*	*Less than 30 day SR'000*	*31 to 90 days SR'000*	*More than 90 days SR'000*	*Past due and impaired SR'000*
2014	1,466,551	766,764	230,206	308,568	19,512	141,501
2015	**1,839,648**	**505,873**	**179,183**	**375,483**	**627,608**	**151,501**

Premiums and reinsurance balances receivables comprise a large number of customers mainly within the Kingdom of Saudi Arabia as well as reinsurance companies mainly in Europe. Premiums and reinsurance balances receivable include SR 148,994 thousand (31 December 2014: SR 125,733 thousand) due in foreign currencies, mainly in US Dollars. The Company's terms of business require amounts to be paid within 30 to 90 days of the date of transaction. Arrangements with reinsurers normally require settlement if the balance exceeds a certain agreed amount. The five largest customers accounts for 42% (31 December 2014: 42%) of the premiums receivable as at 31 December 2015. Further, total receivable from government entities amount to SR 286,534 thousand (2014: SR 437,794 thousand) constituting 23% (2014: 36%) of total premium receivable.

Unimpaired premiums and reinsurance balances receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables and the vast majority are, therefore, unsecured. The Company does not have an internal credit ratings assessment process and accordingly, amounts which are neither past due nor impaired, in respect of premiums receivable balances, are from individuals and unrated corporates. Balances due from reinsurers are with counterparties who have investment grade credit ratings issued by external rating agencies.

10. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

(a) The following are the details of major related party transactions during the year and their balances at the end of the year:

Related parties	*Nature of transaction*	*Amount of transaction for the year ended* 31 December 2015 SR'000	*Amount of transaction for the year ended* 31 December 2014 SR'000	*Balance* 31 December 2015 SR'000	*Balance* 31 December 2014 SR'000
Due from related parties					
Medgulf BSC - Head office account (*parent company*)	-Claims paid on behalf of parent company	-	1,351	-	-
	-Operational expenses paid on behalf of parent company, CEO & members of BOD	-	194	-	-
	-Transfer to investment	-	1,958	-	-
	-Balance due from at year end	-	-	**23,879**	23,879
Medgulf BSC - Operation account (*parent company*)	-Expenses paid on behalf of BOD	-	18	-	-
	-Expenses paid on behalf of parent company	-	954	-	-
	-Insurance Premium for employees of parent company	-	28	-	-
	-Reinsurance recoveries on behalf of parent company	**4**	-	-	-
	-Premium Refundable	-	10	-	-
	-Settlement on behalf of parent company	**95**	3	-	-
	-Balance due from at year end	-	-	**24,206**	24,297
Medgulf Egypt (*fellow subsidiary*)	-Balance due from at year end	-	-	**58**	58

10. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	***Nature of transaction***	***Amount of transaction for the year ended***		***Balance***	
		31 December 2015	*31 December 2014*	***31 December 2015***	*31 December 2014*
		SR'000	*SR'000*	***SR'000***	*SR'000*
Due from related parties (continued)					
Medgulf Jordan *(fellow subsidiary)*	-Expenses paid on behalf of fellow subsidiary	-	957	-	-
	-Payment received from fellow subsidiary	-	446	-	-
	-Balance due from at year end	-	-	**25**	25
Allianz Bahrain *(fellow subsidiary)*	-Expenses paid on behalf of fellow subsidiary	-	3	-	-
	-Payment received from fellow subsidiary	-	6	-	-
Medgulf Lebanon SAL *(fellow subsidiary)*	-Claims paid by fellow subsidiary on behalf of Medgulf KSA	**1,075**	254	-	-
	-Expenses paid by fellow subsidiary on behalf of Medgulf KSA	-	260	-	-
	-Expenses paid on behalf of fellow subsidiary	-	1,696	-	-
	-Balance due from at year end	-	-	-	1,075
Motion al-Saudia *(fellow subsidiary)* (in liquidation)	-Balance due from at year end	-	-	**10,924**	10,924

10. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	*Nature of transaction*	*Amount of transaction for the year ended*		*Balance*	
		31 December 2015	*31 December 2014*	***31 December 2015***	*31 December 2014*
		SR'000	*SR'000*	***SR'000***	*SR'000*
Due from related parties (continued)					
Addison Bradley Arabia- KSA – *(fellow subsidiary)*	-Expenses paid on behalf of fellow subsidiary	-	3,005	-	-
	-Insurance for employees of fellow subsidiary	-	62	-	-
	-Payment received form fellow subsidiary	-	21	-	-
	-Premium refundable	-	3	-	-
	-Balance due from at year end	-	-	**13,066**	13,066
Al Samiya Trading Co *(fellow subsidiary)*	-Commissions	-	40,887	-	-
	-Expenses paid on behalf of fellow subsidiary	-	1,482	-	-
	-Gross written premiums	**20**	813	-	-
	-Payment received from fellow subsidiary	-	42	-	-
	-Commission payment	-	41,535	-	-
	-Premium refundable	-	284	-	-
	-Claims for fellow subsidiary	-	110	-	-
	-Claims paid	-	110	-	-
	-Balance due from at year end	-	-	**448**	428
				72,606	73,752

10. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	*Nature of transaction*	*Amount of transaction for the year ended*		*Balance*	
		31 December 2015	*31 December 2014*	***31 December 2015***	*31 December 2014*
		SR'000	*SR'000*	***SR'000***	*SR'000*
Due to related parties					
Medivisa KSA *(fellow subsidiary)*	-Expenses paid on behalf of fellow subsidiary	**-**	225	**-**	-
	-Insurance premium for employees of fellow subsidiary	**3,392**	2,798	**-**	-
	-Third party administration fees	**98,500**	97,877	**-**	-
	-Payment medical claim	**1,746**	-	**-**	-
	-Claim payable	**164**	-	**-**	-
	-Expenses by fellow subsidiary on behalf of Medgulf KSA	**-**	38	**-**	-
	-Collection	**80**	-	**-**	-
	-Premium refundable	**264**	238	**-**	-
	-Payment on third party administration fees	**84,737**	77,159	**-**	-
	-5% service fees paid on behalf of Medgulf KSA (Jordan)	**84**	-	**-**	-
	-Balance due to at year end	**-**	-	**40,589**	27,970
Medivisa Jordan *(fellow subsidiary)*	-5% service fees paid on behalf of Medgulf KSA	**-**	78	**-**	-
	-Payment to fellow subsidiary	**209**	-	**-**	-
	-Balance due to at year end	**-**	-	**-**	209
				40,589	28,179

10. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Other related parties	***Nature of transaction***	***Amount of transaction for the year ended***		***Balance***	
		31 December 2015	*31 December 2014*	***31 December 2015***	*31 December 2014*
		SR'000	*SR'000*	***SR'000***	*SR'000*
The Saudi Investment Bank, *(Founding shareholders)*	-Current account and time deposits	**9,350**	7,457	**523**	9,873
	-Statutory deposit *(refer note 10.a (i))*	**375**	-	**107,757**	107,382
	-Commission income on time deposit and statutory deposit	**-**	1,073	**-**	-
	-Gross written premiums	**4,363**	3,858	**-**	-
	- Premiums receivable	**-**	-	**(664)**	(1,324)
	-Claims incurred	**1,599**	1,604	**-**	-
	-Outstanding claims payable / (recovery)	**-**	-	**(361)**	1
Al Istithmar Capital *(subsidiary of SIB-founding shareholders)*	-Discretionary portfolio arrangement *(refer 10.a (ii))*	**28**	1,298	**55,163**	55,135
	-GCC Equity Fund	**1,133**	891	**9,272**	10,405
	-Gross Written Premium	**228**	-	**-**	-
	- Premiums receivable	**-**	-	**(14)**	-
Banque de Credit National *(Common ownership and directors)*	-Current account and time deposits	**19**	12,175	**-**	19
	-Commission income on time deposits	**-**	278	**-**	-
Creative solutions restaurants Co. *(Under common directorship)*	-Gross written premiums	**506**	355	**-**	-
	-Claims incurred	**189**	149	**-**	-
	-Premiums receivable	**-**	-	**2**	16
Sanaya dental care *(Under common directorship)*	-Medical claim	**107**	135	**-**	-
	-Payment on account	**114**	150	**-**	-
	-Balance due to at year end	**-**	-	**9**	16

10. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Other related parties	***Nature of transaction***	***Amount of transaction for the year ended***		***Balance***	
		31 December 2015	*31 December 2014*	***31 December 2015***	*31 December 2014*
		SR'000	*SR'000*	***SR'000***	*SR'000*
Medivisa KSA *(fellow subsidiary)*	-Medical claim Jordan / Balance	**2,246**	-	**159**	-
	-Medical claim Lebanon / Balance	**4,351**	-	-	-
	-Medical claim Egypt / Balance	**328**	-	**19**	(177)
Saudi Orix *(Shareholders of the parent company)*	-Investment in Sukuk/ repayment	**7,500**	-	-	7,500
	-Income on Sukuk	**185**	198	-	-
	-Gross written premiums	**30,644**	26,038	-	-
	-Premiums receivable	-	-	**1,925**	1,810
	-Claims incurred	**22,777**	17,989	-	-
	-Outstanding claims payable / recovery	-	-	**(220)**	12
Safari Group of companies *(common Directorship)*	-Gross written premiums	**13,974**	10,094	-	-
	-Premiums receivable	-	-	**1,126**	(560)
	-Claims incurred	**12,842**	14,514	-	-
	-Claims payable	-	-	**(785)**	(118)
Prime Health Insurance (fellow subsidiary)	-Medical claim administration fees paid	-	229	-	-
	-Payment to fellow subsidiary	**177**	-	-	-
	-Medical claim administration fees payable	-	-	-	(177)
Khalid A. Al Shathry Construction Co. *(Under common directorship)*	-Gross written premiums	**49**	46	-	-
	-Premiums receivable	-	-	**119**	87
	-Claims incurred	**48**	271	-	-

10. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Other related parties	***Nature of transaction***	***Amount of transaction for the year ended***		***Balance***	
		31 December 2015	*31 December 2014*	***31 December 2015***	*31 December 2014*
		SR'000	SR'000	**SR'000**	SR'000
Khalid A. Al Shathry- board member *(individual motor policies)*	-Gross written premiums	**51**	49	-	-
	-Premiums receivables	-	-	**831**	1,137
	-Claims incurred	**43**	17	-	-
	-Outstanding claims	-	-	**11**	6
Al Jasamah establishment *(Under common directorship)*	-Gross written premiums	**152**	148	-	-
	-Premiums receivables	-	-	**4**	-
	-Claims incurred	**409**	45	-	-
	-Outstanding claims	-	-	**(8)**	(8)
Medgulf BSC *(parent company)*	-Reinsurance premiums ceded	**3,610**	446,092	-	-
	-Claim recoveries	**268,728**	430,684	-	-
	-Reinsurance commission income	**361**	44,609	-	-
	-Receivable / (payable)	-	-	**305,892**	40,414
Addison Bradley Overseas *(fellow subsidiary)*	-Reinsurance premiums ceded	**61**	1,417	-	-
	-Reinsurance claim recoveries	**15,227**	12,791	**54,527**	39,342
	-Collection	**14,000**	-	-	-
Addison Bradley Arabia Holding LLC (UAE) (fellow subsidiary)	-Reinsurance claim recoveries payable	**2**	-	**2,692**	2,691
	-Reinsurance broker commission	-	151	-	-
	-Commission cancellation	**10**	-	-	-
SIB LLC (UAE) *(fellow subsidiary)*	-Balance due to at year end	-	-	**(31)**	(31)
Addison Bradley Arabia-KSA *(fellow subsidiary)*	-Reinsurance receivable / (payable)	-	-	**3,164**	3,487
	-Premiums receivable	-	-	**1,406**	1,406

10. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Other related parties	***Nature of transaction***	***Amount of transaction for the year ended***		***Balance***	
		31 December 2015 SR'000	*31 December 2014 SR'000*	***31 December 2015 SR'000***	*31 December 2014 SR'000*
Addison Bradley Arabia- KSA – Brokerage commission *(fellow subsidiary)*	-Brokerage commission	**20**	25	-	-
	-Payment to fellow subsidiary	-	18	-	-
	-Payment received from fellow subsidiary	-	1	-	-
	-Gross written premium to fellow subsidiary	-	3	-	-
Addison Bradley Arabia- KSA – reinsurance broker *(fellow subsidiary)*	-Reinsurance premiums ceded	**6**	546	-	-
	-Reinsurance claim recoveries	**3,888**	12,964	-	-
	-Direct payment to reinsurer	**1,920**	38	-	-
	-Ceded premium refundable	-	14	-	-
	-Collection from recoveries	**6,149**	-	-	-
Emad J. Baban *(individual motor policies of Director)*	-Gross written premiums	**19**	21	-	-
	-Claims incurred	**33**	3	-	
Saleh Al-Sagri *(individual motor policies of Director)*	-Gross written premiums	**148**	65	-	-
	-Premiums receivable	-	-	**(8)**	71
	-Claims incurred	**25**	25	-	-
	-Outstanding claims	-	-	-	(22)

10.a (i) Statutory deposit has been placed with the Saudi Investment Bank at the commission rate of 0.7% per annum.

10.a (ii) Discretionary portfolio management agreement (DPM) was signed on February 11, 2011 and includes a mix of equity and debt investments.

Compensation of key management personnel

10.b The remuneration of the Board of Directors and other key management personnel during the year is as follows:

	2015 SR'000	*2014 SR'000*
Short term benefits	**23,903**	20,460
End of service benefits	**2,446**	394
	26,349	20,854

11. CLAIMS

a) Outstanding Claims, IBNR and Other Reserves

	2015			2014		
	Gross SR'000	*Reinsurers' share SR'000*	*Net SR'000*	*Gross SR'000*	*Reinsurers' share SR'000*	*Net SR'000*
Outstanding at end of the year	**859,765**	**(519,205)**	**340,560**	790,269	(515,993)	274,276
Incurred but not reported	**805,023**	**(152,109)**	**652,914**	482,032	(135,687)	346,345
Other reserves (note 11b)	**34,350**	**-**	**34,350**	7,132	-	7,132
	1,699,138	**(671,314)**	**1,027,824**	1,279,433	(651,680)	627,753
Claims paid during the year	**3,557,372**	**(688,741)**	**2,868,631**	3,541,412	(694,946)	2,846,466
Outstanding at beginning of the year	**790,269**	**(515,993)**	**274,276**	958,896	(468,831)	490,065
Incurred but not reported	**482,032**	**(135,687)**	**346,345**	493,010	(136,856)	356,154
Other reserves (note 11b)	**7,132**	**-**	**7,132**	6,327	-	6,327
	1,279,433	**(651,680)**	**627,753**	1,458,233	(605,687)	852,546
Claims incurred	**3,977,077**	**(708,375)**	**3,268,702**	3,362,612	(740,939)	2,621,673

b) Other Reserves

	2015 SR'000	*2014 SR'000*
Premium Deficiency Reserve (PDR)	**24,265**	-
Others	**10,085**	7,132
Other reserves at end of the year	**34,350**	7,132

c) Claims Triangulation Analysis by Accident Year

The Company maintains adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences will be eliminated which results in the release of reserves from earlier accident years. In order to maintain adequate reserves, the Company transfers much of this release to the current accident year reserves when the development of claims is less mature and there is much greater uncertainty attached to the ultimate cost of claims.

11. CLAIMS (Continued)

c) Claims Triangulation Analysis by Accident Year (Continued)

Claims triangulation analysis is by accident years spanning a number of financial years.

i) On Gross Basis

Accident Year	*2009 SR'000*	*2010 SR'000*	*2011 SR'000*	*2012 SR'000*	*2013 SR'000*	*2014 SR'000*	*2015 SR'000*	*TOTAL SR'000*
At the end of accident year	1,148,965	1,525,392	1,759,169	2,030,375	2,865,129	3,196,139	3,553,993	
One year later	1,166,831	1,538,465	1,887,696	2,355,342	3,006,147	3,446,409		
Two years later	1,165,977	1,509,521	1,967,919	2,319,794	3,056,802			
Three years later	1,145,562	1,537,038	1,950,795	2,321,681				
Four years later	1,281,007	1,537,201	1,948,513					
Five years later	1,257,000	1,543,933						
Six years later	1,238,429							
Ultimate paid claims (estimated)	1,238,429	1,543,933	1,948,513	2,321,681	3,056,802	3,446,409	3,553,993	17,109,760
Cumulative paid claims	1,230,878	1,525,199	1,931,936	2,289,254	2,891,961	3,285,109	2,290,635	15,444,972
Outstanding claims + IBNR	7,551	18,734	16,577	32,427	164,841	161,300	1,263,358	1,664,788

*Other reserves amounting to SR 34,350 thousand are not included in the claims triangulation.

ii) On net Basis (net of reinsurance)

Accident Year	*2009 SR'000*	*2010 SR'000*	*2011 SR'000*	*2012 SR'000*	*2013 SR'000*	*2014 SR'000*	*2015 SR'000*	*TOTAL SR'000*
At the end of accident year	607,986	872,155	1,032,598	1,118,998	1,437,617	2,459,548	2,884,490	
One year later	962,313	1,230,576	1,472,573	1,767,465	2,299,916	2,657,710		
Two years later	976,888	1,253,029	1,500,727	1,790,733	2,337,043			
Three years later	979,244	1,256,681	1,505,277	1,797,190				
Four years later	980,249	1,258,037	1,505,266					
Five years later	980,675	1,265,891						
Six years later	980,908							
Ultimate paid claims (estimated)	980,908	1,265,891	1,505,266	1,797,190	2,337,043	2,657,710	2,884,490	13,428,498
Cumulative paid claims	979,727	1,265,141	1,504,241	1,793,553	2,327,099	2,598,710	1,966,552	12,435,023
Outstanding claims + IBNR	1,181	750	1,025	3,637	9,944	59,000	917,938	993,475

*Other reserves amounting to SR 34,350 thousand are not included in the claims triangulation.

12. INVESTMENT IN AN ASSOCIATE

Investment in an associate comprises of an equity investment in Al-Waseel for Electronic Transportation amounting to SR 12,095 thousand (a 25% equity interest) (2014: SR 6,000 thousand), in an unquoted company (the "associate"), registered in the Kingdom of Saudi Arabia.

13. INVESTMENTS

Investments are classified as set out below:

(a) Insurance Operations - Available for sale investments

	2015		
	Quoted SR'000	***Unquoted SR'000***	***Total SR'000***
Mutual funds	**33,070**	**-**	**33,070**
Sukuk	**-**	**25,000**	**25,000**
Equities	**2,154**	**-**	**2,154**
	35,224	**25,000**	**60,224**

	2014		
	Quoted SR'000	*Unquoted SR'000*	*Total SR'000*
Mutual funds	32,765	-	32,765
Bonds	38,028	-	38,028
Sukuk	-	25,000	25,000
Equities	1,940	-	1,940
	72,733	25,000	97,733

The available for sale investments comprise mutual funds, bonds, sukuk and equities issued by corporate and financial institutions in the Kingdom of Saudi Arabia.

The cumulative change in fair values of available for sale investments for insurance operations amounting to SR 1,825 thousand (31 December 2014: SR 1,844 thousand) is presented within insurance operations' surplus' in the statement of financial position.

13. INVESTMENTS (Continued)

(a) Insurance Operations - Available for sale investments (Continued)

The movements during the year in available for sale investments for insurance's operations were as follows:

	2015	*2014*
	SR'000	*SR'000*
At the beginning of the year	**97,733**	90,875
Purchase during the year	**-**	26,633
Sold during the year	**(37,500)**	(20,000)
	60,233	97,508
Realised gain	**10**	-
Net change in fair values	**(19)**	225
At the end of the year	**60,224**	97,733

(b) Shareholders' Operations - Available for sale investments

	2015		
	Quoted SR'000	*Unquoted SR'000*	*Total SR'000*
Mutual funds	**74,843**	**-**	**74,843**
Bonds	**77,319**	**18,820**	**96,139**
Sukuk	**10,064**	**40,996**	**51,060**
Equities	**19,972**	**-**	**19,972**
Total	**182,198**	**59,816**	**242,014**

	2014		
	Quoted SR'000	*Unquoted SR'000*	*Total SR'000*
Mutual funds	81,620	7,680	89,300
Bonds	78,713	19,082	97,795
Sukuk	17,585	40,996	58,581
Equities	22,816	1,923	24,739
Total	200,734	69,681	270,415

The available for sale investments comprise of mutual funds, bonds, sukuk and equities issued by corporate and financial institutions in the Kingdom of Saudi Arabia.

The cumulative change in fair values of available for sale investments for shareholders' operations amounting to SR 15,261 thousand (31 December 2014: SR 9,945 thousand) is presented within shareholders' equity in the statement of financial position.

13. INVESTMENTS (Continued)

(b) Shareholders' Operations - Available for sale investments (Continued)

The movements during the year in available for sale investments for shareholders' operations were as follows:

	2015	*2014*
	SR'000	*SR'000*
At the beginning of the year	**270,415**	211,127
Purchased during the year	**-**	122,627
Sold during the year	**(18,298)**	(56,009)
	252,117	277,745
Realised gain / (loss)	**774**	(1,021)
Impairment loss	**(16,193)**	-
Net change in fair values	**5,316**	(6,309)
At the end of the year	**242,014**	270,415

(c) Insurance and Shareholders' Operations - Available for sale investments

i. The analysis of investments of insurance and shareholders' operations by counterparties is as follows:

	2015	*2014*
	SR'000	*SR'000*
Government and quasi government	**68,464**	69,817
Banks and other financial institutions	**208,478**	252,245
Corporates	**25,296**	46,086
Total	**302,238**	368,148

ii. The credit quality of investment portfolio is as follows:

	2015	*2014*
	SR'000	*SR'000*
AA- To AAA	**87,321**	88,716
A- To A+	**166,129**	208,259
BB- To BB+	**-**	7,500
B- To B+	**992**	1,301
NA	**47,796**	62,372
Total	**302,238**	368,148

Credit ratings are based on Standard and Poor, Fitch and Moody's rating methodology or the issuer, noting that "NA" represents the sum of the investments which are not rated.

13. INVESTMENTS (Continued)

(C) Insurance and Shareholders' Operations - Available for sale investments (Continued)

iii. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or the most advantageous) market between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. The fair values of recognised financial instruments are not significantly different from the carrying values included in the financial statements. The estimated fair values of financial instruments are based on quoted market prices, when available. The fair values of these investments are disclosed below.

Determination of fair value and fair value hierarchy

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

- Level 1: quoted market price: financial instruments with quoted unadjusted prices for identical instruments in active markets.
- 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.
- Level 3: valuation techniques for which any significant input is not based on observable market data.

iv. The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	2015			
	Level 1 SR'000	*Level 2 SR'000*	*Level 3 SR'000*	*Total SR'000*
Available for sale investments				
Mutual funds	**107,913**	**-**	**-**	**107,913**
Bonds	**9,998**	**86,141**	**-**	**96,139**
Sukuk	**10,064**	**65,996**	**-**	**76,060**
Equities	**20,203**	**-**	**1,923**	**22,126**
Total available for sale investments	**148,178**	**152,137**	**1,923**	**302,238**

	2014			
	Level 1 SR'000	*Level 2 SR'000*	*Level 3 SR'000*	*Total SR'000*
Available for sale investments				
Mutual funds	114,385	7,680	-	122,065
Bonds	9,998	125,826	-	135,824
Sukuk	17,585	65,996	-	83,581
Equities	24,755	-	1,923	26,678
Total available for sale investments	166,723	199,502	1,923	368,148

14. PREPAYMENTS AND OTHER ASSETS

	2015		*2014*	
	Insurance Operations SR'000	***Shareholders' Operations SR'000***	*Insurance Operations SR'000*	*Shareholders' Operations SR'000*
Advances to employees	**8,760**	**-**	8,566	-
Prepaid expenses	**2,103**	**-**	4,126	-
Prepayment on hospital dues	**31,169**	**-**	-	-
Advances to suppliers	**4,520**	**-**	7,553	-
Prepaid rent	**3,783**	**-**	3,814	-
Accrued special commission income	**1,286**	**1,782**	1,089	1,679
Others	**3,230**	**-**	2,063	-
	54,851	**1,782**	27,211	1,679

15. MOVEMENT IN UNEARNED PREMIUMS

	2015			*2014*		
	Gross SR'000	***Reinsurers' share SR'000***	***Net SR'000***	*Gross SR'000*	*Reinsurers' share SR'000*	*Net SR'000*
At the beginning of the year	**2,483,739**	**(1,033,651)**	**1,450,088**	2,298,631	(919,403)	1,379,228
Premiums written during the year	**4,001,934**	**(643,419)**	**3,358,515**	4,415,993	(1,217,946)	3,198,047
Premiums earned during the year	**(4,431,225)**	**963,912**	**(3,467,313)**	(4,230,885)	1,103,698	(3,127,187)
At the end of the year	**2,054,448**	**(713,158)**	**1,341,290**	2,483,739	(1,033,651)	1,450,088

16. DEFERRED POLICY ACQUISITION COSTS

(a) The movements during the year for commissions' incurred for operations are as follows:

	2015 SR'000	*2014 SR'000*
At the beginning of the year	**101,653**	68,665
Costs incurred during the year	**226,263**	195,679
Amortised during the year	**(227,317)**	(162,691)
At the end of the year	**100,599**	101,653

(b) The movements during the year for deferral of SAMA fees, CCHI fees, TPA fees and partial administration cost are as follows:

	2015 SR'000	*2014 SR'000*
At the beginning of the year	**98,833**	106,189
Costs incurred during the year	**147,064**	150,169
Amortised during the year	**(164,689)**	(157,525)
At the end of the year	**81,208**	98,833
Total deferred acquisition cost at end of the year	**181,807**	200,486

17. PROPERTY AND EQUIPMENT, NET

	Leasehold improvements SR'000	*Office equipment, furniture and fixtures SR'000*	*Computers SR'000*	*Motor vehicles SR'000*	*Total SR'000*
Cost:					
1 January 2014	**24,780**	**20,750**	**29,819**	**3,886**	**79,235**
Additions	6,953	3,914	11,207	128	**22,202**
Disposals	-	(768)	(33)	-	**(801)**
31 December 2014	**31,733**	**23,896**	**40,993**	**4,014**	**100,636**
Additions	3,103	6,517	2,879	380	**12,879**
Disposals	(25)	(1,253)	(201)	(341)	**(1,820)**
31 December 2015	**34,811**	**29,160**	**43,671**	**4,053**	**111,695**
Accumulated depreciation:					
1 January 2014	**19,548**	**8,550**	**9,381**	**2,171**	**39,650**
Provided during the year	2,792	2,927	3,422	899	**10,040**
Disposals	-	(585)	(33)	-	**(618)**
31 December 2014	**22,340**	**10,892**	**12,770**	**3,070**	**49,072**
Provided during the year	2,426	3,591	2,458	598	**9,073**
Disposals	(19)	(1,114)	(195)	(341)	**(1,669)**
31 December 2015	**24,747**	**13,369**	**15,033**	**3,327**	**56,476**
Net book value:					
31 December 2015	**10,064**	**15,791**	**28,638**	**726**	**55,219**
31 December 2014	9,393	13,004	28,223	944	51,564

18. STATUTORY DEPOSIT

Statutory deposit represents 10% of the paid-up capital which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. This statutory deposit cannot be withdrawn without the consent of SAMA.

19. GOODWILL

The Company commenced its insurance operations on 1 January 2009. In 2009, the Company entered into an agreement ("the agreement") for the purchase of insurance portfolio and the related net assets and liabilities of the Saudi Arabian Operations of the Mediterranean and Gulf Insurance and Reinsurance Company (MEDGULF) B.S.C. (closed). The Company held an ordinary general assembly meeting on 22 December 2008 and approved the purchase of the insurance portfolio and the related net assets and liabilities of the Saudi Arabian Operations of the Mediterranean and Gulf Insurance and Reinsurance Company (MEDGULF) B.S.C. (closed) effective 1 January 2009. This acquisition resulted in goodwill of SR 480,000 thousand.

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated. Recoverable amount was determined on the basis of fair value less cost to sell.

19. GOODWILL (Continued)

The Fair Value less cost to sell ("FVLCTS") is used to conclude on the impairment assessment. The valuation result has determined that the recoverable amount of goodwill is higher than its carrying amount.

Fair Value analysis is based on the "Market Approach" where trading activity of Medgulf's stock and the capitalisation of earnings using value metrics of broadly comparable listed companies and Mergers and Acquisitions transaction multiples were considered up to the valuation date.

As per management's assessment, the Company's track record supports the assumptions used in the impairment testing.

20. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	*2015* *Insurance Operations SR'000*	*2015* *Shareholders Operations SR'000*	*2014* *Insurance Operations SR'000*	*2014* *Shareholders Operations SR'000*
Employees' end of service benefits	21	**23,729**	**-**	36,945	-
Accrued CCHI fees		**28,115**	**-**	29,739	-
Payable to suppliers		**86,516**	**-**	6,948	-
Accrued expenses		**17,916**	**762**	4,252	1,549
Other payables		**317**	**7,757**	361	843
		156,593	**8,519**	78,245	2,392

21. EMPLOYEES' END OF SERVICE BENEFITS

	Note	*2015* *SR'000*	*2014* *SR'000*
At the beginning of the year		**36,945**	33,864
Charged during the year	23	**1,116**	6,089
Paid during the year		**(14,332)**	(3,007)
At the end of the year	20	**23,729**	36,945

22. UNEARNED REINSURANCE COMMISSION

	2015 *SR'000*	*2014* *SR'000*
At the beginning of the year	**73,458**	39,773
Commission received during the year	**93,737**	112,278
Commission earned during the year	**(110,880)**	(78,593)
At the end of the year	**56,315**	73,458

23. GENERAL AND ADMINISTRATIVE EXPENSES

		2015		2014	
	Note	*Insurance Operations SR'000*	*Shareholders' Operations SR'000*	*Insurance Operations SR'000*	*Shareholders' Operations SR'000*
Employee salaries and costs		**183,300**	-	153,102	-
Supervision and inspection fees - CCHI		**30,597**	-	30,756	-
Rental		**29,029**	-	21,189	-
Supervision and inspection fees - SAMA		**22,155**	-	20,839	-
Professional fees		**20,646**	**507**	11,271	480
Depreciation		**9,073**	-	10,040	-
Employees' end of service benefits	21	**1,116**	-	6,089	-
Stationery		**7,183**	-	5,750	38
Withholding taxes on reinsurance payments		**49,907**	-	5,523	-
Repairs and maintenance		**6,814**	-	5,398	-
Promotion and advertising		**4,362**	**15**	3,360	3
Business travel and transport		**2,220**	**332**	3,068	71
Utilities		**1,212**	-	1,323	-
Board of Directors and other committees remunerations and expenses		-	**3,160**	-	2,770
SAMA interest fees		-	**6,539**	-	-
Bad debts		**10,000**	-	-	-
Others		**19,855**	**276**	13,017	220
		397,469	**10,829**	290,726	3,582

24. OTHER INCOME

	2015 SR'000	*2014 SR'000*
Income from hospitals for prompt settlement of claims	**44,088**	42,823
Others	**16,085**	28,552
	60,173	71,375

25. PROVISION FOR ZAKAT AND INCOME TAX

a) Zakat charge for the year

The zakat provision is based on the following:

	2015 SR'000	*2014 SR'000*
Share capital	**1,000,000**	1,000,000
Opening provisions and other adjustments	**436,831**	330,514
Book value of long term assets	**(956,913)**	(769,973)
Zakat base	**479,918**	560,541
Saudi shareholders' share of zakat base (54.5%)	**261,555**	305,495

25. ZAKAT AND INCOME TAX (Continued)

Due to the losses incurred by the Company during the year, the zakat for the year is calculated at 2.5% of the zakat base for the year.

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

b) Income tax charge for the year

Due to the losses incurred by the Company during the year, there was no income tax charge relating to the non-Saudi shareholders. Charge pertaining to 2014 amounted to SR 11,869 thousand.

c) Movement in the provision for zakat and income tax during the year

The movement in the provision for zakat and income tax for the year was as follows:

	Note	*2015* *SR'000*	*2014* *SR'000*
At the beginning of the year		**19,507**	12,454
Charge - current year	c (i)	**6,539**	7,053
prior year		**1,449**	-
		7,988	7,053
Payments during the year		**(26,651)**	-
At the end of the year		**844**	19,507

c (i) The provision for zakat and income tax for the year is SR 844 thousand (2014: SR 19,507 thousand). An amount of SR 7,988 thousand has been charged in the statement of comprehensive income to meet the required provision for the year ended December 31, 2015.

d) Status of zakat and tax assessments

The Company has filed its zakat and income tax declarations for the year from 16 April 2007 to 31 December 2014 with the Department of Zakat and Income Tax (DZIT) and the assessments of the same years have not been completed yet. The DZIT has disallowed a deduction of statutory deposit for the year 2012 and this matter led to a Zakat difference amounting to SR 1.19 million. The Company has already made the payment and submitted an appeal for this matter.

26. SHARE CAPITAL

The authorized and paid up share capital of the Company is SR 1,000 thousand divided into 100 thousand shares of SR 10 each (2014: SR 1,000 thousand divided into 100 million shares of SR 10 each) . The founding shareholders of the Company have subscribed and paid for 75 million shares (SR 750 million) with a nominal value of SR 10 each, which represent 75% of the shares of the Company and the remaining 25 million shares (SR 250 million) with a nominal value of SR 10 each which represent 25% of the shares of the Company, have been subscribed by the general public.

27. BASIC AND DILUTED EARNINGS / (LOSSES) PER SHARE

Basic and diluted earnings / (losses) per share for the year was calculated by dividing the net income for the year by the weighted average number of shares issued and outstanding during the year amounting to 100 million shares.

28. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial assets and liabilities include cash and cash equivalents, time deposits, investments, receivables, payables, and certain other assets and liabilities. The fair values of the financial assets and liabilities are not materially different from their carrying values with the exception of unquoted financial instruments which are carried at cost.

29. COMMITMENTS AND CONTINGENCIES

a) ***Legal proceedings***

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. 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 litigations) will have a material effect on its results and financial position.

b) ***Operating lease commitments***

The minimum future lease payments for the use of the Company office premises are as follows:

	2015	2014
	SR'000	SR'000
Less than one year	**-**	-
One to five years	**29,029**	20,585
	29,029	20,585

c) ***Contingencies and capital commitments***

As at 31 December 2015, the Company's banker has issued letters of guarantee of SR 21,074 thousand (2014: SR 15,025 thousand) to various customers, motor agencies and workshops as per the terms of the agreements with them (note 7). The Company had no capital commitments in 2015 (2014: nil).

30. SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, operating segments have been approved by management in respect of the Company's activities, assets and liabilities as set out below.

Segment results do not include allocation of general and administration expenses, special commission income and other income to operating segments.

Segment assets do not include allocation of cash and cash equivalents, time deposits investments, premiums and reinsurance balances receivable, prepayments and other assets, due from related parties, and property and equipment, net, to the operating segments.

Segment liabilities do not include allocation of accounts and commission payable, reinsurance balances payable, accrued expenses and other liabilities, due to shareholders' operations, surplus distribution payable and other reserves to operating segments.

30. SEGMENTAL INFORMATION (Continued)

Operating segments

For the year ended 31 December 2015

	Medical SR'000	*Motor SR'000*	*Others SR'000*	*Total SR'000*
Insurance operations				
Gross premiums written	**2,811,471**	**666,047**	**524,416**	**4,001,934**
Net premiums written	**2,806,540**	**458,493**	**93,482**	**3,358,515**
Net premiums earned	**2,845,296**	**523,960**	**98,057**	**3,467,313**
Net claims incurred	**(2,578,340)**	**(675,217)**	**(15,145)**	**(3,268,702)**
Policy acquisition costs	**(162,304)**	**(34,058)**	**(30,955)**	**(227,317)**
Reinsurance commission income	**20,970**	**33,405**	**56,505**	**110,880**
Net underwriting result	**125,622**	**(151,910)**	**108,462**	**82,174**
General and administrative expenses				**(397,469)**
Special commission income and other income				**66,075**
Insurance operations' deficit				**(249,220)**

For the year ended 31 December 2014

	Medical SR'000	*Motor SR'000*	*Others SR'000*	*Total SR'000*
Insurance operations				
Gross premiums written	2,973,947	685,938	756,108	4,415,993
Net premiums written	2,527,957	574,760	95,330	3,198,047
Net premiums earned	2,571,316	464,754	91,117	3,127,187
Net claims incurred	(2,204,605)	(398,054)	(19,014)	(2,621,673)
Policy acquisition costs	(110,049)	(27,422)	(25,220)	(162,691)
Reinsurance commission income	24,000	10,473	44,120	78,593
Net underwriting result	280,662	49,751	91,003	421,416
General and administrative expenses				(290,726)
Special commission income and other income				79,263
Insurance operations' surplus				209,953

30. SEGMENTAL INFORMATION (Continued)

Operating segments (Continued)

As at 31 December 2015	***Medical SR'000***	***Motor SR'000***	***Others SR'000***	***Total SR'000***
Insurance operations' assets				
Reinsurers' share of unearned premiums	-	**77,523**	**635,635**	**713,158**
Reinsurers' share of outstanding claims	**27,353**	**87,015**	**556,946**	**671,314**
Deferred policy acquisition costs	**137,520**	**14,955**	**29,332**	**181,807**
Unallocated assets	-	-	-	**2,881,273**
				4,447,552
Insurance operations' liabilities and surplus				
Gross unearned premiums	**1,091,222**	**258,450**	**704,776**	**2,054,448**
Unearned reinsurance commission	-	**15,502**	**40,813**	**56,315**
Gross outstanding claims	**823,776**	**256,209**	**584,803**	**1,664,788**
Unallocated liabilities	-	-	-	**672,001**
				4,447,552

As at 31 December 2014	*Medical SR'000*	*Motor SR'000*	*Others SR'000*	*Total SR'000*
Insurance operations' assets				
Reinsurers' share of unearned premiums	199,408	61,598	772,645	1,033,651
Reinsurers' share of outstanding claims	99,855	43,776	508,049	651,680
Deferred policy acquisition costs	156,857	12,507	31,122	200,486
Unallocated assets	-	-	-	2,491,499
				4,377,316
Insurance operations' liabilities and surplus				
Gross unearned premiums	1,329,385	307,992	846,362	2,483,739
Unearned reinsurance commission	20,609	8,113	44,736	73,458
Gross outstanding claims	622,121	114,966	535,214	1,272,301
Unallocated liabilities	-	-	-	547,818
				4,377,316

31. 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 strategic plan approved by the Board. The Company is exposed to insurance, reinsurance, regulatory framework, credit, liquidity, foreign currency, commission rate, and market 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 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.

Audit Committee and Internal Audit Department
Risk management processes throughout the Company are also insured by the Internal Audit Department which examines both the adequacy of the procedures and the Company's compliance with such procedures. The Internal Audit Department discusses the results of all assessments with senior management, and reports its findings and recommendations directly to the Audit Committee.

The risks faced by the Company and the manner in which these risks are mitigated by management are set out below:

a) Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed the carrying amount of insurance liabilities. This could occur because the frequency or amounts of claims severity, actual benefits paid and subsequent development of long term claims are different than expected. Therefore the objective of the Company is to ensure that sufficient resources are available to cover these liabilities. The insurance risk arising from insurance contracts is 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 mainly motor and medical risks. 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.

Motor
For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. In recent years, the Company has only underwritten comprehensive polices for owner/drivers over 18 years of age. Substantially all of the motor contracts relate to private individuals. The Company also has risk management procedures to control cost of claims. The Company has reinsurance cover to limit the losses for any individual claim to SR 750 thousand (31 December 2014: SR 937 thousand)

Medical
The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across the industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions, regular view of actual claims experience and product pricing, as well as detailed claims handling procedures. The company does not have any reinsurance coverage for medical line of business.

31. RISK MANAGEMENT (Continued)

a) Insurance risk (Continued)

Sensitivity analysis

The Company believes that the claim liabilities under insurance contracts outstanding at the year end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The insurance claim liabilities are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process. The general insurance claims provision is sensitive to the above key assumptions. A hypothetical 10% change in the claims ratio would impact income by approximately SR 19,705 thousand (31 December 2014: SR 9,836 thousand) annually in aggregate.

b) Reinsurance risk

In common with other insurance companies, in order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements 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. 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 in this connection is:

	2015 ***SR'000***	*2014* *SR'000*
Middle East	**180,215**	132,290
Europe	**491,099**	519,390
	671,314	651,680

c) 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 minimize 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 has complied with the minimum capital requirement.

31. 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 assets held by the Company, the maximum exposure to credit risk 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:

- The Company only enters into insurance and reinsurance contracts with recognised, 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 credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Company investment portfolio is managed by the investment officer in accordance with the investment policy established by the investment committee.
- The Company, with respect to credit risk arising from other financial assets, is restricted to commercial banks having strong financial positions and credit ratings.
- There are no significant concentrations of credit risk within the Company.

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

	2015		*2014*	
	Insurance Operations SR'000	***Shareholders' Operations SR'000***	*Insurance Operations SR'000*	*Shareholders' Operations SR'000*
Bank balances and cash	**594,951**	**108,912**	688,436	241,619
Time deposits	**197,790**	**96,052**	227,222	-
Investments	**60,224**	**242,014**	97,733	270,415
Statutory deposit	**-**	**107,757**	-	107,382
Premiums and reinsurance balances receivable	**1,688,147**	**-**	1,325,050	-
Advances to employees	**8,760**	**-**	8,566	-
Advances to suppliers	**4,520**	**-**	7,553	-
Accrued special commission income	**1,286**	**1,782**	1,089	1,679
Reinsurers' share of outstanding claims	**671,314**	**-**	651,679	-
Due from related parties	**72,606**	**-**	73,752	-
	3,299,598	**556,517**	3,081,080	621,095

31. RISK MANAGEMENT (Continued)

e) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. A significant amount of funds are invested in time deposits with local banks.

Maturity profiles

Unearned premiums and reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations. The table below summarises the maturity profile of the non-derivative financial liabilities of the Company based on remaining expected undiscounted contractual obligations:

	2015			*2014*		
	Up to one year SR'000	*More than one year SR'000*	*Total SR'000*	*Up to one year SR'000*	*More than one year SR'000*	*Total SR'000*
INSURANCE OPERATIONS' FINANCIAL LIABILITIES						
Gross outstanding claims	**1,664,788**	-	**1,664,788**	1,272,301	-	1,272,301
Accounts and commission payable	**211,837**	-	**211,837**	180,814	-	180,814
Reinsurance balances payable	**120,216**	-	**120,216**	84,139	-	84,139
Accrued expenses and other liabilities	**156,593**	-	**156,593**	78,245	-	78,245
Surplus distribution payable	-	**106,591**	**106,591**	20,995	85,596	106,591
	2,153,434	**106,591**	**2,260,025**	1,636,494	85,596	1,722,090
SHAREHOLDERS' FINANCIAL LIABILITIES						
Accrued expenses and other liabilities	**8,519**	-	**8,519**	2,392	-	2,392
Provision for zakat and income tax	**844**	-	**844**	19,507	-	19,507
	9,363	-	**9,363**	21,899	-	21,899
TOTAL FINANCIAL LIABILITIES	**2,162,797**	**106,591**	**2,269,388**	1,658,393	85,596	1,743,989

Liquidity profile

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

31. RISK MANAGEMENT (Continued)

f) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company`s principal transactions are carried out in Saudi Riyal. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

	2015				*2014*			
	Saudi Riyals SR'000	*US Dollars SR'000*	*Others SR'000*	*Total SR'000*	*Saudi Riyals SR'000*	*US Dollars SR'000*	*Others SR'000*	*Total SR'000*
INSURANCE OPERATIONS' ASSETS								
Bank balances and cash	**567,866**	**27,452**	-	**595,318**	626,695	62,272	-	688,967
Time deposits	**197,790**	-	-	**197,790**	227,222	-	-	227,222
Premiums and reinsurance balances receivable	**1,539,153**	**141,901**	**7,093**	**1,688,147**	1,199,317	118,099	7,634	1,325,050
Due from related parties	**72,606**	-	-	**72,606**	73,752	-	-	73,752
Due from shareholders' operations	**157,118**	-	-	**157,118**	-	-	-	-
Reinsurers' share of outstanding claims	**515,188**	**156,126**	-	**671,314**	594,596	56,923	161	651,680
Investments	**60,224**	-	-	**60,224**	59,705	38,028	-	97,733
Prepayments and other assets	**54,851**	-	-	**54,851**	27,042	169	-	27,211
Reinsurers' share of unearned premium	**713,158**	-	-	**713,158**	1,033,651	-	-	1,033,651
Deferred policy acquisition costs	**181,807**	-	-	**181,807**	200,486	-	-	200,486
Property and equipment, net	**55,219**	-	-	**55,219**	51,564	-	-	51,564
TOTAL INSURANCE OPERATIONS' ASSETS	**4,114,980**	**325,479**	**7,093**	**4,447,552**	4,094,030	275,491	7,795	4,377,316
SHAREHOLDERS' ASSETS								
Cash and cash equivalents	**107,665**	**1,244**	**3**	**108,912**	229,866	11,750	3	241,619
Time deposits	**96,052**	-	-	**96,052**	-	-	-	-
Due from insurance operations	-	-	-	-	60,874	-	-	60,874
Investment in an associate	**12,095**	-	-	**12,095**	6,000	-	-	6,000
Investments	**134,420**	**105,411**	**2,183**	**242,014**	151,749	118,666	-	270,415
Prepayments and other assets	**1,782**	-	-	**1,782**	237	1,442	-	1,679
Land	**30,000**	-	-	**30,000**	30,000	-	-	30,000
Statutory deposit	**107,757**	-	-	**107,757**	107,382	-	-	107,382
Goodwill	**480,000**	-	-	**480,000**	480,000	-	-	480,000
TOTAL SHAREHOLDERS' ASSETS	**969,771**	**106,655**	**2,186**	**1,078,612**	1,066,108	131,858	3	1,197,969
TOTAL ASSETS	**5,084,751**	**432,134**	**9,279**	**5,526,164**	5,160,138	407,349	7,798	5,575,285

31. RISK MANAGEMENT (Continued)

f) Foreign currency risk (Continued)

	2015				*2014*			
	Saudi Riyals	*US Dollars*	*Other*	*Total*	*Saudi Riyals*	*US Dollars*	*Other*	*Total*
	SR'000	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*
INSURANCE OPERATIONS' LIABILITIES								
Gross outstanding claims	**1,507,678**	**157,110**	-	**1,664,788**	1,214,418	57,704	179	1,272,301
Accounts and commission payable	**211,837**	-	-	**211,837**	180,814	-	-	180,814
Reinsurance balances payable	**90,730**	**28,804**	**682**	**120,216**	74,661	8,307	1,171	84,139
Due to shareholders' operations	-	-	-	-	60,874	-	-	60,874
Accrued expenses' and other liabilities	**156,593**	-	-	**156,593**	78,245	-	-	78,245
Surplus distribution payable	**106,591**	-	-	**106,591**	106,591	-	-	106,591
Unearned reinsurance commission	**56,315**	-	-	**56,315**	73,458	-	-	73,458
Gross unearned premiums	**2,054,448**	-	-	**2,054,448**	2,483,739	-	-	2,483,739
Other reserves	**34,350**	-	-	**34,350**	7,132	-	-	7,132
Due to related parties	**40,589**	-	-	**40,589**	28,179	-	-	28,179
TOTAL INSURANCE OPERATIONS' LIABILITIES	**4,259,131**	**185,914**	**682**	**4,445,727**	4,308,111	66,011	1,350	4,375,472
SHAREHOLDERS' LIABILITIES								
Accrued expenses and other liabilities	**8,519**	-	-	**8,519**	2,392	-	-	2,392
Provision for zakat and income tax	**844**	-	-	**844**	19,507	-	-	19,507
Due to insurance operations	**157,118**	-	-	**157,118**	-	-	-	-
TOTAL SHAREHOLDERS' LIABILITIES	**166,481**	-	-	**166,481**	21,899	-	-	21,899
TOTAL LIABILITIES	**4,425,612**	**185,914**	**682**	**4,612,208**	4,330,010	66,011	1,350	4,397,371

31. RISK MANAGEMENT (Continued)

g) Special commission rate risk

Special commission rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market special commission rates. Floating rate instruments expose the company to cash flow special commission risk, whereas fixed commission rate instruments expose the Company to fair value interest risk.

The Company is exposed to special commission rate risk on its certain investments, cash and cash equivalents, and time deposits. The Company limits special commission rate risk by monitoring changes in special commission rates in the currencies in which its investments are denominated.

The following table demonstrates the sensitivity of statements of insurance operations and the shareholders equity to reasonably possible changes in commission rates of the Company's term deposits, with all other variables held constant.

31 December 2015		
Currency	Change in variable	Impact on net loss
Saudi Riyal	**+ 50 basis points**	**SR 4,637**
	- 50 basis points	**SR (4,637)**
31 December 2014		
Currency	Change in variable	Impact on net loss
Saudi Riyal	+ 50 basis points	SR 4,320
	- 50 basis points	SR (4,320)

h) Market price risk

Market price 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 unquoted equity instruments carried at cost or indicative selling price, where the impact of changes in equity price will only be reflected when the instrument is sold or deemed to be impaired and then the statement of shareholders' operations will be impacted.

The sensitivity of the income on the assumed changes in the market prices of quoted available for sale investments on the statement of shareholders comprehensive income is set out below:

	Change in market price	*Effect on statement of shareholders comprehensive operations SR'000*
2015	**+5%**	**10,871**
	-5%	**(10,871)**
2014	+5%	8,908
	-5%	(8,908)

31. RISK MANAGEMENT (Continued)

i) Capital management

Capital requirements are set and regulated by the Saudi Arabian Monetary Agency. 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' value.

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 minimize 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 maintains its capital as per guidelines laid out by SAMA in Article 66 table 3 and 4 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained. According to the said Article, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

Minimum Capital Requirement of SR 100 million
Premium Solvency Margin
Claims Solvency Margin

The Company uses Claims Solvency Margin Method for determining its solvency requirements. As at 31 December 2015, the solvency margin is less than the required minimum margin. The Company is in process of improving its capital deficiency through improvement in profit and accelerating the recovery of premium receivable balances. The Board of Directors is confident that the action plan will improve the solvency margin of the Company.

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 5 Jumaada Al-Awal 1437H corresponding to 14 February, 2016.