

SANAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the three and twelve months period ended 31 December 2015
together with the
Independent auditors' limited review report

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

SCOPE OF LIMITED REVIEW:

We have reviewed the accompanying interim statement of financial position of Sanad Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as at 31 December 2015, the related interim statements of comprehensive income - insurance operations and shareholders' operations for the three and twelve month periods then ended, the interim statement of changes in shareholders' equity, and interim statement of cash flows - insurance operations' and shareholders' operations for the twelve month period then ended and the related notes which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard – 34 "Interim Financial Reporting" (IAS 34) and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

CONCLUSION:

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with IAS 34.

EMPHASIS OF MATTERS:

We draw attention to the following matters:

- i) As at 31 December 2015, the Company has accumulated losses amounting to SR 167.98 million reaching to 84% of its capital. Moreover, the Company does not maintain the minimum regulatory solvency requirement. On the other hand, the Company is being banned from issuing new insurance policies since 12 DhulQadah 1435 (corresponding to 7 September 2014). The continuation of the Company is mainly dependent on its shareholders' financing support and related financial restructuring to meet the requirements set forth by the insurance industry regulator in order to obtain the regulatory release with regard to the ban for issuing new insurance policies and accordingly on acquiring profitable business. In the above connection, there is doubt about the Company's ability to continue as a going concern, yet the intention of Company's Board of Directors is to continue its operations and accordingly these interim condensed financial statements are prepared on going concern basis as described in note 2.2. As at 9 DhulQadah 1435 (corresponding to 4 September 2014), the Company's Board has recommended a capital increase and the calling for an Extraordinary General Assembly is pending subject to meeting certain regulatory requirements and securing certain regulatory approvals before calling for the same as per the requirement of Article 148 of the Regulations for Companies.

**INDEPENDENT AUDITORS' LIMITED REVIEW REPORT
TO THE SHAREHOLDERS OF
SANAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)[CONTINUED]**

EMPHASIS OF MATTERS (CONTINUED):

During the third quarter of 2015, the Company obtained a conditional approval from SAMA for increasing the share capital whereby the Company's management believes that it would be able to meet the requirements for the conditional approval within the stated deadlines i.e. 31 December 2015. The Company, as per its point of view, has fulfilled all the requirements contained in the conditional approval within the prescribed time limit; this was announced on Saudi Arabian Stock Exchange's website ("Tadawul") on January 3, 2016, whereby the Company is waiting for a final response from the Saudi Arabian Monetary Agency concerning the latest developments.

- ii) As per Article 68 of the Regulation for Companies, a director must own not less than ten thousand shares of the Company's stock. As stated in note 2.2 the Capital Market Authority (CMA) Board has issued its decision on 12 DhulQadah 1435 (corresponding to 7 September 2014) to suspend trading the shares of the Company in the Saudi Stock Exchange (Tadawul). Accordingly, the newly appointed Board of Directors are unable to purchase the minimum shares.
- iii) These interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.

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11 Rabi Al Thani 1437

SANAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF FINANCIAL POSITION
As at 31 December 2015
(Amount in Saudi Riyals)

	Notes	31 December 2015 (Unaudited)	31 December 2014 (Audited)
ASSETS			
ASSETS – INSURANCE OPERATIONS			
Cash and cash equivalents		32,508,394	75,336,852
Premiums receivable, net	5	10,528,378	25,006,155
Reinsurers' balance receivable, net	6	3,555,647	3,247,153
Reinsurers' share of outstanding claims and other technical reserves	7	4,833,801	20,929,971
Reinsurers' share of unearned premiums		839,809	6,938,696
Deferred policy acquisition cost		150,047	4,368,623
Due from shareholders' operations		11,338,874	25,580,447
Prepayments and other assets		6,084,790	7,697,221
Property and equipment, net		2,165,304	3,607,825
TOTAL ASSETS – INSURANCE OPERATIONS		72,005,044	172,712,943
ASSETS – SHAREHOLDERS' OPERATIONS			
Cash and cash equivalents		1,174,812	13,127,451
Statutory deposit		21,310,418	21,242,822
Investments - available for sale	8	32,572,273	38,165,215
Prepayments and other assets		0	14,812
TOTAL ASSETS – SHAREHOLDERS' OPERATIONS		55,057,503	72,550,300
TOTAL ASSETS		127,062,547	245,263,243
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES – INSURANCE OPERATIONS			
Unearned premiums reserve		1,041,117	23,117,961
Reinsurers' balances payable		2,760,142	6,291,258
Accrued expenses and other liabilities		41,496,665	42,256,826
Outstanding claims and other technical reserves	7	24,141,478	94,380,200
Unearned reinsurance commissions		235,625	2,787,227
End-of-service indemnities		1,645,776	3,879,471
Surplus payable to policy holders		684,241	--
TOTAL LIABILITIES – INSURANCE OPERATIONS		72,005,044	172,712,943
LIABILITIES – SHAREHOLDERS' OPERATIONS			
Accrued expenses and other liabilities		327,002	292,525
Zakat and taxes provision		13,119,849	11,061,489
Due to insurance operations		11,338,874	25,580,447
TOTAL LIABILITIES – SHAREHOLDERS' OPERATIONS		24,785,725	36,934,461
TOTAL LIABILITIES		96,790,769	209,647,404
SHAREHOLDERS' EQUITY			
Share capital		200,000,000	200,000,000
Accumulated deficit		(167,984,794)	(168,233,675)
Investment revaluation reserve	8	(1,743,428)	3,849,514
TOTAL SHAREHOLDERS' EQUITY		30,271,778	35,615,839
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		127,062,547	245,263,243



The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

INTERIM STATEMENT OF COMPREHENSIVE INCOME - INSURANCE OPERATIONS
(Amount in Saudi Riyals)

	Three Months ended 31 December 2015 (Unaudited)	Twelve Months ended 31 December 2015 (Unaudited)	Three Months ended 31 December 2014 (Unaudited)	Twelve Months ended 31 December 2014 (Audited)
INCOME				
Gross insurance premiums written	(390,257)	125,993	2,191,082	123,699,931
Gross inward reinsurance premiums written	--	6,890	17,417	38,817
TOTAL GROSS WRITTEN PREMIUMS	(390,257)	132,883	2,208,499	123,738,748
Reinsurance premiums ceded	(539,572)	(2,685,107)	(995,225)	(50,857,268)
NET WRITTEN PREMIUMS	(929,829)	(2,552,224)	1,213,274	72,881,480
Changes in unearned premiums	411,423	22,076,844	39,089,959	75,636,563
Changes in reinsurance unearned premiums	(342,042)	(6,095,923)	(13,487,483)	(7,840,784)
NET EARNED PREMIUMS	(860,448)	13,428,697	26,815,750	140,677,259
Reinsurance commission	(782,739)	1,764,173	3,533,378	14,868,413
Policy fee and other underwriting income, net	2,027,294	3,514,800	1,320	122,475
UNDERWRITING REVENUE	384,107	18,707,670	30,350,448	155,668,147
EXPENSES				
Gross claims paid	(5,021,763)	(49,685,218)	(24,716,294)	(116,378,149)
Reinsurance share of claims paid	196,367	12,445,111	5,239,978	24,513,316
NET CLAIMS PAID	(4,825,396)	(37,240,107)	(19,476,316)	(91,864,833)
Net changes in outstanding claim reserve	7,298,281	35,078,748	(5,498,927)	(11,493,640)
Net changes in other technical reserve	3,011,087	19,063,804	4,587,886	3,188,501
NET CLAIMS INCURRED	5,483,972	16,902,445	(20,387,357)	(100,169,972)
Policy acquisition costs	(44,562)	(4,164,891)	(3,047,415)	(20,565,781)
Other underwriting expenses, net	(2,512,837)	(10,574,608)	(124,953)	(4,668,559)
Impairment against doubtful receivables	4,235,595	5,455,413	2,578,014	(18,554,605)
UNDERWRITING EXPENSES	7,162,168	7,618,359	(20,981,711)	(143,958,917)
UNDERWRITING SURPLUS / (DEFICIT)	7,546,275	26,326,029	9,368,737	11,709,230
General and administration expenses	(4,302,374)	(19,557,593)	(6,535,065)	(37,852,207)
PROFIT / (LOSS) FROM INSURANCE OPERATIONS	3,243,901	6,768,436	2,833,672	(26,142,977)
Gain on sale of property and equipment	--	--	123	123
Other income	5,700	73,975	34,252	221,500
COMPREHENSIVE PROFIT (LOSS) FROM INSURANCE OPERATIONS	3,249,601	6,842,411	2,868,047	(25,921,354)
Transfer of comprehensive (profit) / loss to shareholders operations	(2,924,640)	(6,158,170)	(2,868,047)	25,921,354
SURPLUS / (DEFICIT) FOR THE PERIOD	324,961	684,241	--	--



The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

SANAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF COMPREHENSIVE INCOME - SHAREHOLDERS'
OPERATIONS
(Amount in Saudi Riyals)

Note	Three Months ended 31 December 2015 (Unaudited)	Twelve Months ended 31 December 2015 (Unaudited)	Three Months ended 31 December 2014 (Unaudited)	Twelve Months ended 31 December 2014 (Audited)
INCOME				
Commission income	--	381,075	42,769	314,941
Dividend income from investments	384,617	1,436,219	(166,964)	1,288,391
	<u>384,617</u>	<u>1,817,294</u>	<u>(124,195)</u>	<u>1,603,332</u>
EXPENSES				
Appropriation of surplus (deficit) from insurance operations	2,924,640	6,158,170	2,868,047	(25,921,354)
Impairment in investments	--	--	(4,565,884)	(4,565,884)
General and administration expenses	(2,232,375)	(5,018,297)	111,639	(649,150)
NET PROFIT (LOSS) FOR THE PERIOD BEFORE ZAKAT	<u>1,076,882</u>	<u>2,957,167</u>	<u>(1,710,393)</u>	<u>(29,533,056)</u>
Zakat	(399,794)	(2,708,286)	(684,891)	(2,750,208)
NET PROFIT /(LOSS) FOR THE PERIOD	<u>677,088</u>	<u>248,881</u>	<u>(2,395,284)</u>	<u>(32,283,264)</u>
OTHER COMPREHENSIVE INCOME / (LOSS):				
Net changes in fair value of available for sale investments	8 (1,233,347)	(5,592,942)	(4,183,554)	(1,329,271)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	<u>(556,259)</u>	<u>(5,344,061)</u>	<u>(6,578,838)</u>	<u>(33,612,535)</u>
BASIC AND DILUTED PROFIT / (LOSS) PER SHARE FOR THE PERIOD				
	<u>0.03</u>	<u>0.01</u>	<u>(0.12)</u>	<u>(1.61)</u>
WEIGHTED AVERAGE NUMBER OF SHARES IN ISSUE	<u>20,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>



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The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

SANAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE TWELVE MONTHS PERIOD ENDED 31 DECEMBER 2015
(Amount in Saudi Riyals)

	<i>Share Capital</i>	<i>Accumulated deficit</i>	<i>Investment revaluation reserve</i>	<i>Total</i>
2015				
Balance at 1 January 2015	200,000,000	(168,233,675)	3,849,514	35,615,839
Net profit for the year	-	248,881	-	248,881
Other comprehensive loss for the year	-	-	(5,592,942)	(5,592,942)
Balance at 31 December 2015	200,000,000	(167,984,794)	(1,743,428)	30,271,778
2014				
Balance at 1 January 2014	200,000,000	(135,950,411)	5,178,785	69,228,374
Net loss for the year	--	(32,283,264)	--	(32,283,264)
Other comprehensive income for the year	--	--	(1,329,271)	(1,329,271)
Balance at 31 December 2014	200,000,000	(168,233,675)	3,849,514	35,615,839



The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

SANAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS (UNAUDITED)
(Amount in Saudi Riyals)

	<i>Twelve Months ended 31 December 2015 (Unaudited)</i>	<i>Twelve Months ended 31 December 2014 (Audited)</i>
OPERATING ACTIVITIES		
Surplus for the period	684,241	--
<i>Adjustments for non-cash items:</i>		
Transfer of profit / (loss) to shareholders' operations	(6,158,171)	(25,921,354)
Impairment allowance against salvage recoveries	2,350,499	10,711,287
Provision Against Doubtful Other Receivables	--	3,150,000
Depreciation	1,442,774	1,985,263
Provision for end-of-service indemnities	332,960	1,502,068
Impairment allowance against doubtful receivables, net	(5,455,413)	4,682,926
Loss / (Gain) on sale of property and equipment	567	(123)
Changes in operating assets and liabilities:		
Premiums receivable	17,580,698	35,700,828
Deferred policy acquisition costs	4,218,576	5,251,905
Prepayments and other assets	1,612,431	(7,618,293)
Unearned premium reserves, net	(15,977,957)	(67,795,779)
Unearned commission income	(2,551,602)	(1,342,791)
Reinsurers' balances payable	(3,531,116)	3,225,988
Accrued expenses and other liabilities	(760,161)	10,442,620
Outstanding claims and other technical reserves, net	(54,142,552)	8,305,139
Reinsurance balance receivable	(308,494)	(2,333,270)
Cash used in operating activities	(60,662,720)	(20,053,586)
End-of-service indemnities paid	(2,566,655)	(1,193,653)
Net cash used in operating activities	(63,229,375)	(21,247,239)
INVESTING ACTIVITIES		
Additions to property and equipment	--	(1,133,415)
Proceeds from sale of property and equipment	1,200	2,902
Net cash from / (used in) investing activities	1,200	(1,130,513)
FINANCING ACTIVITIES		
Due to shareholders' operations	20,399,717	19,132,203
Net cash from financing activities	20,399,717	19,132,203
DECREASE IN CASH AND CASH EQUIVALENTS	(42,828,458)	(3,245,549)
Cash and cash equivalents at the beginning of the period	75,336,852	78,582,401
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	32,508,394	75,336,852



The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

SANAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS (UNAUDITED)
(Amount in Saudi Riyals)

	<i>Twelve Months ended 31 December 2015 (Unaudited)</i>	<i>Twelve Months ended 31 December 2014 (Audited)</i>
OPERATING ACTIVITIES		
Net profit / (loss) for the period before zakat	2,957,167	(29,533,056)
<i>Adjustments for non-cash items:</i>		
Transfer of (profit) / loss from insurance operations	6,158,170	25,921,354
Impairment in investments	--	4,565,884
Changes in operating assets and liabilities:		
Accrued expenses and other liabilities	34,477	(72,000)
Prepayments and other assets	14,812	1,433,851
Net cash used in operating activities	<u>9,164,626</u>	<u>2,316,033</u>
Zakat Paid	(649,926)	(1,959,874)
Net cash used in operating activities	<u>8,514,700</u>	<u>356,159</u>
INVESTING ACTIVITIES		
Statutory deposit	(67,596)	(165,471)
Net cash used in investing activities	<u>(67,596)</u>	<u>(165,471)</u>
FINANCING ACTIVITIES		
Due from insurance operations	(20,399,743)	(19,132,203)
Collection of loan receivable	--	500,000
Net cash (used in) / from financing activities	<u>(20,399,743)</u>	<u>(18,632,203)</u>
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	<u>(11,952,639)</u>	<u>(18,441,515)</u>
Cash and cash equivalents at the beginning of the period	13,127,451	31,568,966
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>1,174,812</u>	<u>13,127,451</u>
Non - cash supplemental information:		
Change in fair value of investments - available for sale	<u>(5,592,942)</u>	<u>(1,329,271)</u>



The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

SANAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND TWELVE MONTHS PERIOD ENDED 31 DECEMBER 2015

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

Sanad Cooperative Insurance Company ("the Company") is a Saudi Joint Stock Company incorporated under Ministerial Resolution dated 15 Jumada II, 1428 H, (corresponding to 30 June 2007). The Company is registered in the Kingdom of Saudi Arabia under commercial registration number 1010235409 dated 23 Jumada II, 1428 H (corresponding to 8 July 2007).

The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. The Company was listed on the Saudi Stock Exchange on 21 July 2007.

The Registered Office of the Company is located at Dareen Center, Al Ahsa Street, Riyadh 11417, Kingdom of Saudi Arabia. These interim condensed financial statements cover the period from 1 January 2015 to 31 December 2015 (the "period").

2 BASIS OF PREPARATION

2.1 Basis of measurement

The interim condensed financial statements have been prepared under the historical cost convention, except for the measurement at fair value of available for sale investments.

2.2 Going concern

As at 31 December 2015, the Company's solvency margin is below the limit prescribed by Saudi Arabian Monetary Agency (SAMA).

The Company has incurred a net profit of SR 0.25 million during the period. As a result, the accumulated losses amounted to SR 167.98 million that represents approximately 84% of the Share Capital. The Saudi Arabian Regulations for Companies Article 148 require that in situations where the losses exceed 75% of the share capital, the Company's Board of Directors must call for an extraordinary general meeting to consider this situation. As of the date of the approval of these interim condensed financial statements, the extraordinary general meeting has not been called and the Board is in the process of calling the extraordinary general assembly.

The Board of Directors has announced a restructuring plan to the shareholders which has been approved by the Board on 9 Dhul Qadah 1435 (corresponding to 4 September 2014). The restructuring plan includes the following:

- a) Increasing the capital
- b) Cancellation of the reinsurance license
- c) Administrative restructuring including the appointment of Chief Executive Officer and all the vacant leadership positions in the Company.
- d) Financial restructuring including the establishment of collection Department to collect the company's debts and reduce the accumulated losses of the Company.

Due to the restructuring plan, the Board is expecting that there will be improvements in the net results of the Company and it will be able to continue its operations for the foreseeable future.

SAMA has restrained the Company from accepting new subscribers to any of its insurance activities, thus, banning it from issuing or renewing any insurance policy whatsoever as of 12 DhulQadah 1435 corresponding to (7 September 2014) until a decision is issued by SAMA that the Company has rectified its status. SAMA has also directed the Company to settle and pay out all due claims and compensations arising from insurance policies issued before 12 Dhul Qadah 1435 corresponding to (7 September 2014).

SANAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND TWELVE MONTHS PERIOD ENDED 31 DECEMBER 2015

2 BASIS OF PREPARATION (Continued)

2.2 *Going concern (continued)*

Furthermore, the Capital Market Authority's (CMA) Board has issued its decision on 12 Dhul Qadah 1435 corresponding to (7 September 2014) to suspend trading the shares of the Company in the Saudi Stock Exchange (Tadawul) starting from 12 Dhul Qadah 1435 corresponding to (7 September 2014). Also the Company has to correct its position in regard to the decision received from SAMA as required by the related rules and regulations. Based on that the CMA will look into whether to continue or discontinue suspending the trading of the shares.

During the third quarter of 2015, the Company obtained a conditional approval from SAMA for increasing the share capital whereby the Company's management believes that it would be able to meet the requirements for the conditional approval within the stated deadlines i.e. 31 December 2015. The Company as per its point of view has fulfilled all the requirements contained in the conditional approval within the prescribed time limit; and the same was announced on Saudi Arabian Stock Exchange's website ("Tadawul") on January 3, 2016, and the Company waiting for a final response from the Saudi Arabian Monetary Agency concerning the latest developments. Based on Company's restructuring plan, future business prospects and the various discussions and negotiations with SAMA, the management believes that the going concern assumption is valid and has therefore prepared the financial statements on a going concern basis.

2.3 *Statement of compliance*

The interim condensed financial statements of the Company have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting.

As required by Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and Board of Directors.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's financial statements for the year ended 31 December 2014.

In management's opinion, the interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim period presented. The Company's interim results may not be indicative of its annual results.

2.4 *Functional and presentation currency*

The interim condensed financial statements have been presented in Saudi Riyals, being the functional currency of the Company. Amounts are rounded to nearest Riyal unless otherwise indicated.

2.5 *Use of accounting judgements, estimates and assumptions in the preparation of interim condensed financial statements*

The preparation of interim condensed financial statements in conformity with International Financial Reporting Standards (IFRS) requires the use of judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and

SANAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND TWELVE MONTHS PERIOD ENDED 31 DECEMBER 2015

2 BASIS OF PREPARATION (Continued)

liabilities at the date of the interim condensed financial statements and the reported amounts of revenue and expenses during the reporting period.

Although these judgments, estimates and assumptions are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Revisions to accounting estimates are recognized in the period in which the estimate is revised.

In particular, the matters involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

- Unearned premium reserve
- Outstanding claims and other technical reserve
- Impairment of receivables and salvage recoveries
- Impairment in value of investment – available for sale

3 SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT POLICIES

The accounting and risk management policies adopted in the preparation of these interim condensed financial statements are consistent with the ones used in the Company's audited financial statements for the year ended 31 December 2014, except for the adoption of the following new standards and other amendments to existing standards mentioned below which has had an insignificant effect on the condensed interim financial statements of the Company on the current period or prior period and is expected to have an insignificant effect in future periods:

a) New standards and amendments to existing standards

- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Company.

- Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Company as the Company has not entered transacted any derivative during the current or prior periods.

- Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36

These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognized or reversed during the period.

SANAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND TWELVE MONTHS PERIOD ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT POLICIES
(Continued)

b) Standards issued but not yet effective

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

- *IFRS 9 Financial Instruments*

IFRS 9, as issued, reflects the first phase of the IASB's work though the adoption date is subject to the recently issued Exposure Draft on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. However, on 19 November 2013, the IASB issued IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9) amending IFRS 9 to include the new general hedge accounting model. In its February 2014 meeting, the IASB decided that IFRS 9 would be mandatorily effective for years ending on or after 31 December 2018. IASB is considering to defer the effective date of IFRS 9 for specified entities that issue contracts within the scope of IFRS 4 until the new insurance contracts standard is applied.

- *Annual improvements to IFRSs 2012 – 2014*

Annual improvements to IFRSs 2012 – 2014 cycle applicable to annual period beginning on or after 1 January 2016.

- *Disclosure initiative (Amendments to IAS 1)*

Amends IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgments in presenting the financial reports. It is effective for annual periods beginning on or after 1 January 2016.

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4 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are mutually agreed and are approved by the Company's management. The related parties of the Company are as follows:

Nature of relationship	Name of related party
<i>10% founding shareholder and common directorship</i>	- Saudi Continental Insurance Company
<i>90% shareholder in Saudi Continental Insurance Company and have a common directorship</i>	- Aggad Investment Company
<i>Common directorship and control</i>	- Arabian Tiles Company
	- Medical Supplies and Services Company Limited (MEDISERV)
	- National Advanced Systems Company Limited (NASCO)
	- United Motors Company

a) Transactions with related parties:

Details of significant transactions carried out during the period with related parties are as follows:

	<i>Twelve months ended December 2015 (Unaudited)</i>		<i>Twelve months ended December 2014 (Audited)</i>	
	Gross written premium	Gross claims paid	Gross written premium	Gross claims paid
Aggad Investment Company	--	89,974	594,275	211,871
Arabian Tiles Company	--	402,862	166,939	735,736
Medical Supplies and Services Company Limited (MEDISERV)	--	165,884	908,929	1,326,276
National Advanced Systems Company Limited (NASCO)	235,701	3,391,805	1,072,964	11,649,710
United Motors Company	--	1,753,110	1,078,984	9,022,202

b) Balances with related parties:

Details of significant receivables from and payables to the related parties are as follows:

	<i>31 December 2015 (Unaudited)</i>		<i>31 December 2014 (Audited)</i>	
	Premiums receivable	Outstanding claims	Premiums receivable	Outstanding claims
Aggad Investment Company	--	30,915	-	84,537
Arabian Tiles Company	375,951	23,455	384,451	390,816
Medical Supplies and Services Company Limited (MEDISERV)	269,021	330,232	268,195	766,998
National Advanced Systems Company Limited (NASCO)	--	4,088,140	-	7,680,632
United Motors Company	--	325,226	-	4,121,617

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4 RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

c) Compensation of key management personnel:

Key management personnel of the Company include all directors, executive and non-executive, and senior management. The summary of compensation of key management personnel for the period is as follows:

	<i>Twelve months ended December 2015 (Unaudited)</i>	<i>Twelve months ended December 2014 (Audited)</i>
Salaries and other short term benefits	3,853,842	2,600,000
End of service benefit	116,890	141,506
	3,970,732	2,741,506

5 PREMIUMS RECEIVABLE, NET

	<i>31 December 2015 (Unaudited)</i>	<i>31 December 2014 (Audited)</i>
Premiums receivable	38,564,972	57,421,270
Less : Impairment against doubtful receivables	(28,036,594)	(32,415,115)
	10,528,378	25,006,155

	<i>Total</i>	<i>Neither past due nor impaired</i>	<i>Past due but not impaired</i>	<i>Past due and impaired</i>
31 December 2015 (Unaudited)	38,564,972	-	10,528,378	28,036,594
31 December 2014 (Audited)	57,421,270	1,064,886	23,941,269	32,415,115

The Company classifies receivable balances as 'past due and impaired' on a case to case basis, impairment against which is recorded in the statement of insurance operations. The Company does not obtain collateral against premium receivables. Amount which are neither past due nor considered impaired by management, in respect of premium receivables, are from individuals and unrated corporate policy holders.

6 REINSURERS' BALANCE RECEIVABLE, NET

	<i>31 December 2015 (Unaudited)</i>	<i>31 December 2014 (Audited)</i>
Reinsurers' balance receivable	3,646,210	3,776,502
Less: Impairment against doubtful receivables	(90,563)	(529,349)
	3,555,647	3,247,153

	<i>Total</i>	<i>Past due but not impaired</i>	<i>Past due and impaired</i>
31 December 2015 (Unaudited)	3,646,210	3,555,647	90,563
31 December 2014 (Audited)	3,776,502	3,247,153	529,349

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7 OUTSTANDING CLAIMS AND OTHER TECHNICAL RESERVES

<i>31 December 2015 (Unaudited)</i>			
	<i>Gross</i>	<i>Reinsurers' Share</i>	<i>Net</i>
Outstanding claim reserves	13,704,221	(2,378,042)	11,326,179
Incurred but not reported reserve ("IBNR")	10,437,257	(2,455,759)	7,981,498
Premium deficiency reserve	--	--	--
Outstanding claims and other technical reserves	<u>24,141,478</u>	<u>(4,833,801)</u>	<u>19,307,677</u>

<i>31 December 2014 (Audited)</i>			
	<i>Gross</i>	<i>Reinsurers' Share</i>	<i>Net</i>
Outstanding claim reserves	60,574,253	(14,169,326)	46,404,927
Incurred but not reported reserve ("IBNR")	24,923,436	(6,760,645)	18,162,791
Premium deficiency reserve	8,882,511	-	8,882,511
Outstanding claims and other technical reserves	<u>94,380,200</u>	<u>(20,929,971)</u>	<u>73,450,229</u>

8 INVESTMENTS

Investments - available for sale

Investment in available for sale securities comprise of the following:

	31 December 2015 (Unaudited)			31 December 2014 (Audited)
	<i>Cost</i>	<i>Unrealised gain</i>	<i>Market value</i>	<i>Market Value</i>
<i>Quoted/Published prices</i>				
Mutual Funds	6,625,998	459,477	7,085,475	7,042,313
Global Sukuk Fund deposits	9,450,000	2,197,502	11,647,502	11,537,644
Equities	16,316,600	(4,400,382)	11,916,218	17,662,180
	<u>32,392,598</u>	<u>(1,743,403)</u>	<u>30,649,195</u>	<u>36,242,137</u>
<i>Unquoted</i>				
Equities	1,923,078	--	1,923,078	1,923,078
Total investments in available for sale	<u>34,315,676</u>	<u>(1,743,403)</u>	<u>32,572,273</u>	<u>38,165,215</u>

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8 INVESTMENTS (continued)

Movements in available for sale investments are as follows:

	31 December 2015 (Unaudited)	31 December 2014 (Audited)
At beginning of the period	38,165,215	44,060,370
Impairment in Investments	--	(4,565,884)
Change in fair value	(5,592,942)	(1,329,271)
At end of the period	32,572,273	38,165,215

9 SEGMENTAL INFORMATION

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

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

Segment liabilities do not include, end-of-service indemnities, reinsurers' balances payable, accrued expenses and other liabilities.

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

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

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9 SEGMENTAL INFORMATION (CONTINUED)

a) Statement of results for insurance operations

	For the three months ended 31 December 2015 (Unaudited)					
	Medical	Motor	Marine	Engineering	Others	Total
Gross written premiums	(434,872)	(385)	-	45,000	-	(390,257)
Reinsurance premiums ceded	139,002	(354,298)	(141,569)	(64,575)	(118,132)	(539,572)
Net written premiums	(295,870)	(354,683)	(141,569)	(19,575)	(118,132)	(929,829)
Net changes in unearned premiums	-	-	-	17,851	51,530	69,381
Net earned premiums	(295,870)	(354,683)	(141,569)	(1,724)	(66,602)	(860,448)
Reinsurance commission earned	(886,434)	-	-	94,433	9,262	(782,739)
Other underwriting income	417,887	62,829	2,269,026	73,552	(796,000)	2,027,294
Underwriting revenue	(764,417)	(291,854)	2,127,457	166,261	(853,340)	384,107
EXPENSES						
Gross claims paid	(25,222)	(4,879,036)	(27,708)	(69)	(89,728)	(5,021,763)
Reinsurance share of claims paid	4,579	29,850	50,983	24,367	86,588	196,367
Net claims paid	(20,643)	(4,849,186)	23,275	24,298	(3,140)	(4,825,396)
Net changes in outstanding claims and other technical reserves	2,551,331	7,390,764	(29,539)	46,147	350,665	10,309,368
Net claims incurred	2,530,688	2,541,578	(6,264)	70,445	347,525	5,483,972
Policy acquisition costs	24,268	(2,082)	-	(54,833)	(11,915)	(44,562)
Other underwriting expenses, net	(4)	(2,656)	(719,565)	(875,146)	(915,466)	(2,512,837)
Impairment allowance against doubtful receivables	809,010	3,426,585	-	-	-	4,235,595
Underwriting expenses	3,363,962	5,963,425	(725,829)	(859,534)	(579,856)	7,162,168
Underwriting (deficit) / surplus before administration expenses and other income	2,599,545	5,671,571	1,401,628	(693,273)	(1,433,196)	7,546,275
Unallocated income						5,700
Unallocated expenses						(4,302,374)
Net surplus from insurance operations						3,249,601

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9 SEGMENTAL INFORMATION (CONTINUED)

a) Statement of results for insurance operations (continued)

	<i>For the Twelve months ended 31 December 2015 (Unaudited)</i>					
	<i>Medical</i>	<i>Motor</i>	<i>Marine</i>	<i>Engineering</i>	<i>Others</i>	<i>Total</i>
Gross written premiums	(592,877)	220,467	40,837	500,611	(36,155)	132,883
Reinsurance premiums ceded	249,605	(1,373,821)	(674,167)	(588,673)	(298,051)	(2,685,107)
Net written premiums	(343,272)	(1,153,354)	(633,330)	(88,062)	(334,206)	(2,552,224)
Net changes in unearned premiums	1,011,222	13,954,198	69,303	137,679	808,519	15,980,921
Net earned premiums	667,950	12,800,844	(564,027)	49,617	474,313	13,428,697
Reinsurance commission earned	(288,193)	-	941,508	671,771	439,087	1,764,173
Other underwriting income	417,887	1,550,310	2,269,051	73,552	(796,000)	3,514,800
Underwriting revenue	797,644	14,351,154	2,646,532	794,940	117,400	18,707,670
EXPENSES						
Gross claims paid	(11,972,231)	(28,436,813)	(1,524,065)	(3,424,144)	(4,327,965)	(49,685,218)
Reinsurance share of claims paid	6,922,099	660,225	1,256,589	3,335,602	270,596	12,445,111
Net claims paid	(5,050,132)	(27,776,588)	(267,476)	(88,542)	(4,057,369)	(37,240,107)
Net changes in outstanding claims and other technical reserves	15,401,236	30,653,839	1,213,480	693,588	6,180,409	54,142,552
Net claims incurred	10,351,104	2,877,251	946,004	605,046	2,123,040	16,902,445
Policy acquisition costs	(222,524)	(2,502,643)	(529,646)	(501,089)	(408,989)	(4,164,891)
Other underwriting expenses	(487,691)	(483,360)	(2,602,290)	(3,233,209)	(3,768,058)	(10,574,608)
Impairment allowance against doubtful receivables	2,058,443	3,396,970	-	-	-	5,455,413
Underwriting expenses	11,699,332	3,288,218	(2,185,932)	(3,129,252)	(2,054,007)	7,618,359
Underwriting surplus / (deficit) before administration expenses and other income	12,496,976	17,639,372	460,600	(2,334,312)	(1,936,607)	26,326,029
Unallocated income						73,975
Unallocated expenses						(19,557,593)
Net surplus from insurance operations						6,842,411

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9 SEGMENTAL INFORMATION (Continued)

a) Statement of results for insurance operations (continued)

	<i>For the three months ended 31 December 2014 (Unaudited)</i>					
	<i>Medical</i>	<i>Motor</i>	<i>Marine</i>	<i>Engineering</i>	<i>Others</i>	<i>Total</i>
Gross written premiums	121,123	1,410,080	237,856	383,306	56,134	2,208,499
Reinsurance premiums ceded	(92,144)	(189,292)	(237,904)	(376,514)	(99,371)	(995,225)
Net written premiums	28,979	1,220,788	(48)	6,792	(43,237)	1,213,274
Net changes in unearned premiums	7,179,270	16,309,894	548,428	783,765	781,119	25,602,476
Net earned premiums	7,208,249	17,530,682	548,380	790,557	737,882	26,815,750
Reinsurance commission earned	1,941,863	-	227,949	739,023	624,543	3,533,378
Other underwriting income	-	470	855	10	(15)	1,320
Underwriting revenue	9,150,112	17,531,152	777,184	1,529,590	1,362,410	30,350,448
EXPENSES						
Gross claims paid	(8,150,546)	(13,231,024)	(1,170,651)	(1,962,413)	(201,660)	(24,716,294)
Reinsurance share of claims paid	2,239,239	-	993,098	1,901,703	105,938	5,239,978
Net claims paid	(5,911,307)	(13,231,024)	(177,553)	(60,710)	(95,722)	(19,476,316)
Net changes in outstanding claims and other technical reserves	5,666,004	(3,250,261)	(661,042)	(753,763)	(1,911,979)	(911,041)
Net claims incurred	(245,303)	(16,481,285)	(838,595)	(814,473)	(2,007,701)	(20,387,357)
Policy acquisition costs	(802,809)	(1,619,938)	(97,558)	(272,597)	(254,513)	(3,047,415)
Other underwriting expenses	(13,943)	(102,928)	(1,271)	(3,915)	(2,896)	(124,953)
Impairment allowance against doubtful and salvage receivables	(1,678,185)	4,256,199	--	--	--	2,578,014
Underwriting expenses	(2,740,240)	(13,947,952)	(937,424)	(1,090,985)	(2,265,110)	(20,981,711)
Underwriting surplus / (deficit) before administration expenses and other income	6,409,872	3,583,200	(160,240)	438,605	(902,700)	9,368,737
Unallocated income						34,375
Unallocated expenses						(6,535,065)
Net deficit from insurance operations						2,868,047

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9 SEGMENTAL INFORMATION (CONTINUED)

a) Statement of results for insurance operations (continued)

	<i>For the Twelve months ended 31 December 2014 (Audited)</i>					
	<i>Medical</i>	<i>Motor</i>	<i>Marine</i>	<i>Engineering</i>	<i>Others</i>	<i>Total</i>
Gross written premiums	25,603,580	62,791,558	15,626,622	9,821,056	9,895,932	123,738,748
Reinsurance premiums ceded	(18,916,850)	(2,156,500)	(12,786,627)	(9,448,228)	(7,549,063)	(50,857,268)
Net written premiums	6,686,730	60,635,058	2,839,995	372,828	2,346,869	72,881,480
Net changes in unearned premiums	49,849,118	16,049,527	861,160	182,609	853,365	67,795,779
Net earned premiums	56,535,848	76,684,585	3,701,155	555,437	3,200,234	140,677,259
Reinsurance commission earned	4,269,562	-	4,319,611	3,446,341	2,832,899	14,868,413
Other underwriting income	6,100	48,580	41,960	3,400	22,435	122,475
Total underwriting revenue	60,811,510	76,733,165	8,062,726	4,005,178	6,055,568	155,668,147
EXPENSES						
Gross claims paid	(35,774,756)	(59,726,278)	(5,532,225)	(12,844,849)	(2,500,041)	(116,378,149)
Reinsurance share of claims paid	5,754,912	145,000	4,314,836	12,252,572	2,045,996	24,513,316
Net claims paid	(30,019,844)	(59,581,278)	(1,217,389)	(592,277)	(454,045)	(91,864,833)
Net changes in outstanding claims and other technical reserves	4,682,333	(6,936,928)	(567,369)	(438,246)	(5,044,929)	(8,305,139)
Net claims incurred	(25,337,511)	(66,518,206)	(1,784,758)	(1,030,523)	(5,498,974)	(100,169,972)
Policy acquisition costs	(5,476,295)	(9,512,019)	(2,118,452)	(1,851,086)	(1,607,929)	(20,565,781)
Other underwriting expenses, net	(1,001,705)	(2,174,296)	(641,116)	(505,860)	(345,582)	(4,668,559)
Impairment allowance against doubtful and salvage receivables	(3,683,443)	(11,721,162)	--	--	--	(15,404,605)
Impairment Against Doubtful other receivables (Unallocated)	--	--	--	--	--	(3,150,000)
Underwriting expenses	(35,498,954)	(89,925,683)	(4,544,326)	(3,387,469)	(7,452,485)	(143,958,917)
Underwriting surplus / (deficit) before administration expenses and other income	25,312,556	(13,192,518)	3,518,400	617,709	(1,396,917)	11,709,230
Unallocated income						221,623
Unallocated expenses						(37,852,207)
Net deficit from insurance operations						(25,921,354)

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9 SEGMENTAL INFORMATION (CONTINUED)

c) Insurance operations' assets and liabilities

	<i>At 31 December 2015 (Unaudited)</i>					
	<i>Medical</i>	<i>Motor</i>	<i>Marine</i>	<i>Engineering</i>	<i>Others</i>	<i>Total</i>
Insurance operations assets						
Reinsurers' share of unearned premiums	-	-	-	742,127	97,682	839,809
Reinsurers' share of outstanding claims and other technical reserves	714,386	919,354	293,420	2,596,767	309,874	4,833,801
Deferred policy acquisition cost	-	-	-	114,290	35,757	150,047
Allocated assets	714,386	919,354	293,420	3,453,184	443,313	5,823,657
Unallocated assets						66,181,387
Total insurance operations assets						72,005,044
Insurance operations liabilities						
Unearned premiums reserves	-	-	-	781,337	259,780	1,041,117
Outstanding claims and other technical reserves	1,124,503	19,177,709	485,530	2,889,551	464,185	24,141,478
Unearned commission income	-	-	-	208,762	26,863	235,625
Allocated liabilities	1,124,503	19,177,709	485,530	3,879,650	750,828	25,418,220
Unallocated liabilities						46,586,824
Total insurance operations liabilities						72,005,044

	<i>At 31 December 2014 (Audited)</i>					
	<i>Medical</i>	<i>Motor</i>	<i>Marine</i>	<i>Engineering</i>	<i>Others</i>	<i>Total</i>
Insurance operations assets						
Reinsurers' share of unearned premiums	2,359,521	--	168,553	2,808,595	1,602,027	6,938,696
Reinsurers' share of outstanding claims and other technical reserves	8,168,119	2,005,790	2,229,362	6,476,219	2,050,481	20,929,971
Deferred policy acquisition cost	262,370	2,533,834	523,520	577,493	471,406	4,368,623
Allocated assets	10,790,010	4,539,624	2,921,435	9,862,307	4,123,914	32,237,290
Unallocated assets						140,475,653
Total insurance operations assets						172,712,943
Insurance operations liabilities						
Unearned premiums reserves	3,370,744	13,954,198	237,856	2,982,520	2,572,643	23,117,961
Outstanding claims and other technical reserves	23,979,472	50,917,984	3,634,952	7,462,591	8,385,201	94,380,200
Unearned commission income	626,224	--	928,057	759,360	473,586	2,787,227
Allocated liabilities	27,976,440	64,872,182	4,800,865	11,204,471	11,431,430	120,285,388
Unallocated liabilities						52,427,555
Total insurance operations liabilities						172,712,943

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10 FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company measures financial instruments and non-financial assets at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Company's management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement, such as assets held for distribution in any discontinued operation. External valuers are involved for valuation of significant assets, such as properties and AFS financial assets, and significant liabilities, such as contingent consideration.

SANAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2015
(Amount in Saudi Riyals)

10 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

<i>31 December 2015 (Unaudited)</i>				
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Equities	11,916,218	--	--	11,916,218
Other quoted investments	--	18,732,977	--	18,732,977
Unquoted equities	--	--	1,923,078	1,923,078
	11,916,218	18,732,977	1,923,078	32,572,273

<i>31 December 2014 (Audited)</i>				
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Equities	17,662,180	-	-	17,662,180
Other quoted investments	-	18,579,957	-	18,579,957
Unquoted equities	-	-	1,923,078	1,923,078
	17,662,180	18,579,957	1,923,078	38,165,215

The unlisted equities amounting to SAR 1,923,078 (31 December 2014: SAR 1,923,078) are stated at cost in the absence of active markets or other means of reliably measuring their fair value.

During the three month period ended 31 December 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

11 COMMITMENTS AND CONTINGENCIES

Legal proceedings and regulations

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.

12 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 17 January 2016 corresponding to 06 Rabi'a Thani 1437 H.