
**SAUDI REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

Saudi Reinsurance Company (A Saudi Joint Stock Company)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
For The Year Ended 31 December 2015

INDEX	PAGES
INDEPENDENT AUDITORS' REPORT	1
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF INCOME - REINSURANCE OPERATIONS AND ACCUMULATED SURPLUS	3
STATEMENT OF INCOME - SHAREHOLDERS' OPERATIONS	4
STATEMENT OF COMPREHENSIVE INCOME - SHAREHOLDERS' OPERATIONS	5
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	6
STATEMENT OF REINSURANCE OPERATIONS' CASH FLOWS	7
STATEMENT OF SHAREHOLDERS' CASH FLOWS	8
NOTES TO THE FINANCIAL STATEMENTS	9 – 45



KPMG Al Fozan & Partners
Certified Public Accountants



Al-Bassam & Al-Nemer
Allied Accountants

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

SCOPE OF AUDIT

We have audited the accompanying statement of financial position of Saudi Reinsurance Company (A Saudi Joint Stock Company) (the "Company") as at 31 December 2015 and the related statement of income - reinsurance operations and accumulated surplus, statement of income - shareholders' operations and statement of comprehensive income - shareholders' operations for the year then ended and the statements of changes in shareholders' equity, reinsurance operations' and shareholders' cash flows for the year then ended and the related notes 1 to 33 which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards, the provisions of Article 123 of the Regulations for Companies and the Company's by-laws and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that 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:

- i) present fairly, in all material respects, the financial position of the Company as at 31 December 2015 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and
- ii) comply with the requirements of the Regulations 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 Standards and not in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia as issued by the Saudi Organization for Certified Public Accountants.

KPMG Al Fozan & Partners
Certified Public Accountants

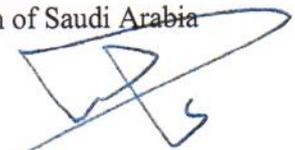
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 Certified Public Accountant
 Registration No. 399



16 Jumada' I 1437H
 (25 February 2016)

Saudi Reinsurance Company (A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 SR	2014 SR
<u>REINSURANCE OPERATIONS' ASSETS</u>			
Cash and bank balances	6	61,025,692	1,454,864
Time deposits	14	35,218,332	13,125,000
Premium receivables	7	195,141,907	112,739,098
Investments held at fair value through income statement	8	73,707,373	124,911,737
Accrued insurance premiums		440,823,628	220,186,253
Retroceded share of outstanding claims	9	60,496,840	105,139,646
Prepaid expenses and other assets	10	91,293,455	28,113,134
Due from shareholders' operations		130,783,161	188,019,813
Retroceded share of unearned premiums	11	7,363,459	2,080,440
Deferred excess of loss premiums		17,389,664	17,311,815
Deferred acquisition costs	12	94,148,447	63,512,581
Property and equipment	13	5,455,845	6,269,040
TOTAL REINSURANCE OPERATIONS' ASSETS		1,212,847,803	882,863,421
<u>SHAREHOLDERS' ASSETS</u>			
Cash and bank balances	6	31,917,275	26,567,730
Time deposits	14	118,849,000	--
Accrued special commission income from time deposits		540,411	70,035
Accrued special commission income from bonds and sukuk		2,220,485	3,703,766
Investments held at fair value through income statement	8	687,580,266	732,671,564
Held to maturity investments	15	--	145,470,427
Prepaid expenses and other assets	10	405,990	7,100,713
Statutory deposit	26	107,592,394	100,000,000
Property and equipment	13	32,998,857	33,521,502
TOTAL SHAREHOLDERS' ASSETS		982,104,678	1,049,105,737
TOTAL ASSETS		2,194,952,481	1,931,969,158
<u>REINSURANCE OPERATIONS' LIABILITIES AND SURPLUS</u>			
Accounts payable		10,101,722	22,617,656
Retrocession balances payable		14,927,181	4,173,060
Accrued retroceded premiums		354,467	1,129,253
Gross unearned premiums	11	502,998,272	238,458,639
Gross outstanding claims	9	674,119,737	609,842,291
Unearned commission income	16	1,806,605	749,782
Accrued expenses and other liabilities	17	4,185,212	2,479,662
Employees' end of service benefits		3,164,713	2,481,001
TOTAL REINSURANCE OPERATIONS' LIABILITIES		1,211,657,909	881,931,344
REINSURANCE OPERATIONS' SURPLUS			
Accumulated surplus		1,189,894	932,077
TOTAL REINSURANCE OPERATIONS' LIABILITIES AND SURPLUS		1,212,847,803	882,863,421
<u>SHAREHOLDERS' LIABILITIES AND EQUITY</u>			
<u>SHAREHOLDERS' LIABILITIES</u>			
Provision for zakat and income tax	19	39,418,724	35,441,642
Due to reinsurance operations		130,783,161	188,019,813
Accrued expenses and other liabilities	17	9,766,069	8,219,064
TOTAL SHAREHOLDERS' LIABILITIES		179,967,954	231,680,519
<u>SHAREHOLDERS' EQUITY</u>			
Share capital	20	1,000,000,000	1,000,000,000
Statutory reserve	21	6,070,924	6,070,924
Accumulated deficit		(203,934,200)	(188,645,706)
TOTAL SHAREHOLDERS' EQUITY		802,136,724	817,425,218
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		982,104,678	1,049,105,737
TOTAL REINSURANCE OPERATIONS' LIABILITIES AND SURPLUS AND SHAREHOLDERS' LIABILITIES AND EQUITY		2,194,952,481	1,931,969,158

The accompanying notes 1 to 33 form an integral part of these financial statements.

STATEMENT OF INCOME - REINSURANCE OPERATIONS AND ACCUMULATED SURPLUS**For the year ended 31 December 2015**

	Notes	2015 SR	2014 SR
Gross written premiums	11	804,825,788	556,290,140
Retroceded premiums	11	(12,177,198)	(6,101,192)
Excess of loss expenses	11	(37,856,616)	(35,594,574)
Net written premiums		754,791,974	514,594,374
Change in net unearned premiums	11	(259,256,614)	(23,697,283)
Net earned premiums		495,535,360	490,897,091
Net claims paid	28,29	(230,562,501)	(215,695,818)
Change in net outstanding claims	9	(108,920,252)	(185,314,716)
Net claims incurred		(339,482,753)	(401,010,534)
Change in premium deficiency reserve		--	26,167,000
Gross acquisition costs and profit commission	12	(114,532,891)	(103,811,400)
Commissions earned on retroceded business	16	2,773,928	1,948,180
Supervision and inspection fees		(4,024,129)	(2,781,451)
Net acquisition costs		(115,783,092)	(104,644,671)
Surplus from reinsurance operations		40,269,515	11,408,886
Special commission income from time deposits		201,992	70,001
Realized (losses) / gains on investments held at fair value through income statement	8(iii)	(73,118)	225,850
Unrealized gains on investments held at fair value through income statement	8(iii)	1,324,820	2,430,636
Other income		216,469	59,100
Investment management expenses		(315,456)	(240,395)
General and administrative expenses	22	(36,545,448)	(23,060,044)
Foreign exchange translation losses		(2,500,599)	(291,042)
Net surplus / (deficit) from reinsurance operations	4	2,578,175	(9,397,008)
Shareholders' appropriation from reinsurance operations' (surplus) / deficit	4,27	(2,320,358)	9,397,008
Reinsurance operations' surplus after shareholders' appropriation		257,817	--
Accumulated surplus at the beginning of the year		932,077	932,077
Accumulated surplus at the end of the year		1,189,894	932,077

The accompanying notes 1 to 33 form an integral part of these financial statements.




Saudi Reinsurance Company (A Saudi Joint Stock Company)
STATEMENT OF INCOME - SHAREHOLDERS' OPERATIONS
For the year ended 31 December 2015

	Notes	2015 SR	2014 SR
Special commission income from time deposits		582,899	842,499
Special commission income from bonds and sukuk		5,283,305	8,369,809
Realized gains on investments held at fair value through income statement	8	60,267	1,281,183
Dividend income		3,687,500	--
Unrealized (losses) / gains on investments held at fair value through income statement	8	(7,851,967)	29,626,814
Realized gain on investments held to maturity	15	6,032,940	--
Other income		2,716	248,129
Total investment income		7,797,660	40,368,434
General and administrative expenses	22	(5,271,929)	(14,947,416)
Investment management expenses		(3,000,497)	(3,076,970)
Board of directors' remuneration, meeting fees and expenses	23	(1,647,862)	(1,558,388)
Foreign exchange translation losses		(91,415)	(549,778)
Shareholders' appropriation from reinsurance operations' surplus / (deficit)	27	2,320,358	(9,397,008)
Net income for the year		106,315	10,838,874
Basic and diluted earnings per share for the year	25	0.001	0.108
Weighted average number of issued and outstanding shares		100,000,000	100,000,000

The accompanying notes 1 to 33 form an integral part of these financial statements.




Saudi Reinsurance Company (A Saudi Joint Stock Company)

STATEMENT OF COMPREHENSIVE INCOME - SHAREHOLDERS' OPERATIONS

For the year ended 31 December 2015

	<u>2015</u>	<u>2014</u>
	SR	SR
Net income for the year	106,315	10,838,874
Total comprehensive income for the year	<u>106,315</u>	<u>10,838,874</u>

The accompanying notes 1 to 33 form an integral part of these financial statements.



Saudi Reinsurance Company (A Saudi Joint Stock Company)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2015

	<u>GCC Shareholders and General Public</u>			<u>Non – GCC Shareholders</u>			<u>Total</u>				
	<u>Notes</u>	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Accumulated deficit</u>	<u>Share capital</u>	<u>Statutory reserve</u>	<u>(Accumulated deficit) / retained earnings</u>	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Accumulated deficit</u>	<u>Total</u>
		<u>SR</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>
Balance as at 1 January 2014		976,578,000	5,928,731	(182,167,515)	23,422,000	142,193	(2,131,386)	1,000,000,000	6,070,924	(184,298,901)	821,772,023
Transfer during the year		(2,426,000)	(14,728)	(2,440,728)	2,426,000	14,728	2,440,728	--	--	--	--
Net income for the year		--	--	10,558,711	--	--	280,163	--	--	10,838,874	10,838,874
Zakat and income tax	19	--	--	(15,185,679)	--	--	--	--	--	(15,185,679)	(15,185,679)
Balance as at 31 December 2014		<u>974,152,000</u>	<u>5,914,003</u>	<u>(189,235,211)</u>	<u>25,848,000</u>	<u>156,921</u>	<u>589,505</u>	<u>1,000,000,000</u>	<u>6,070,924</u>	<u>(188,645,706)</u>	<u>817,425,218</u>
Balance as at 1 January 2015		974,152,000	5,914,003	(189,235,211)	25,848,000	156,921	589,505	1,000,000,000	6,070,924	(188,645,706)	817,425,218
Transfer during the year		1,926,306	11,694	--	(1,926,306)	(11,694)	--	--	--	--	--
Net income for the year		--	--	103,773	--	--	2,542	--	--	106,315	106,315
Zakat and income tax	19	--	--	(15,376,199)	--	--	(18,610)	--	--	(15,394,809)	(15,394,809)
Balance as at 31 December 2015		<u>976,078,306</u>	<u>5,925,697</u>	<u>(204,507,637)</u>	<u>23,921,694</u>	<u>145,227</u>	<u>573,437</u>	<u>1,000,000,000</u>	<u>6,070,924</u>	<u>(203,934,200)</u>	<u>802,136,724</u>

The accompanying notes 1 to 33 form an integral part of these financial statements.

Saudi Reinsurance Company (A Saudi Joint Stock Company)

STATEMENT OF REINSURANCE OPERATIONS' CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 SR	2014 SR
OPERATING ACTIVITIES			
Reinsurance operations' surplus after shareholders' appropriation		257,817	--
Adjustments to reconcile reinsurance operations' surplus after shareholders' appropriation to net cash from operating activities:			
Employees' end of service benefits		1,179,626	1,099,217
Depreciation	13	2,388,828	2,082,527
Allocated depreciation from shareholders' operations	13	808,506	--
Realized loss / (gains) on investments held at fair value through income statement	8(iii)	73,118	(225,850)
Unrealized gains on investments held at fair value through income statement	8(iii)	(1,324,820)	(2,430,636)
(Profit) / loss from disposal of property and equipment		(86,998)	791,508
Retroceded share of unearned premiums	11	(5,283,019)	263,711
Gross unearned premiums	11	264,539,633	23,433,572
Shareholders' appropriation from reinsurance operations' surplus / (deficit)	27	2,320,358	(9,397,008)
Operating profit before changes in operating assets and liabilities		264,873,049	15,617,041
Changes in operating assets and liabilities:			
Premiums receivable		(82,402,809)	(42,246,475)
Accrued insurance premiums		(220,637,375)	(55,317,073)
Retroceded share of outstanding claims	9	44,642,806	(251,071)
Deferred acquisition costs		(30,635,866)	(9,066,652)
Deferred excess of loss premiums		(77,849)	(1,594,867)
Prepaid expenses and other assets		(63,180,321)	(27,044,132)
Accounts payable		(12,515,934)	14,474,608
Retrocession balances payable		10,754,121	(3,442,463)
Accrued retroceded premiums		(774,786)	(3,333,874)
Gross outstanding claims	9	64,277,446	185,565,787
Premium deficiency reserves		--	(26,167,000)
Unearned commission income		1,056,823	(61,112)
Accrued expenses and other liabilities		1,705,550	(3,443,727)
Cash (used in) / from operations		(22,915,145)	43,688,990
Employees' end of service benefits paid		(495,914)	(338,860)
Net cash (used in) / from operating activities		(23,411,059)	43,350,130
INVESTING ACTIVITIES			
Purchase of property and equipment	13a	(1,575,633)	(1,838,954)
Additions in investments held at fair value through income statement	8(iii)	(55,437,973)	(83,847,393)
Proceeds from disposal of property plant and equipment		86,998	32,998
Proceeds from investments held at fair value through income statement	8(iii)	107,894,039	56,921,301
Time deposits		(22,093,332)	(13,125,000)
Net cash from / (used in) investing activities		28,874,099	(41,857,048)
FINANCING ACTIVITY			
Due from shareholders' operations		54,107,788	(5,306,856)
Net cash from / (used in) financing activity		54,107,788	(5,306,856)
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		59,570,828	(3,813,774)
Cash and cash equivalents at the beginning of the year		1,454,864	5,268,638
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		61,025,692	1,454,864
Non-cash transaction:			
Allocation of depreciation by shareholders' operations	13a	808,506	--

The accompanying notes 1 to 33 form an integral part of these financial statements.

Saudi Reinsurance Company (A Saudi Joint Stock Company)

STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the year ended 31 December 2015

	2015 SR	2014 SR
	Note	
OPERATING ACTIVITIES		
Net income for the year	106,315	10,838,874
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	<i>13b</i> --	683,544
Realized (gains) on investments held at fair value through income statement	<i>8(iii)</i> (60,267)	(1,281,183)
Unrealized loss / (gain) on investments held at fair value through income statement	<i>8(iii)</i> 7,851,967	(29,626,814)
Shareholders' appropriation from reinsurance operations' (surplus) / deficit	<u>(2,320,358)</u>	9,397,008
Operating profit / (deficit) before changes in operating assets and liabilities	5,577,657	(9,988,571)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	6,694,723	(1,362,594)
Accrued expenses and other liabilities	1,547,005	1,577,895
Accounts payable	--	(500,000)
Statutory deposit	(7,592,394)	--
Zakat and income tax paid	<i>19(c)</i> (11,417,727)	(12,928,635)
Net cash used in operating activities	<u>(5,190,736)</u>	(23,201,905)
INVESTING ACTIVITIES		
Purchase of property and equipment	<i>13b</i> (285,861)	(1,213,304)
Accrued special commission income from time deposits	(470,376)	970,206
Accrued special commission income from bonds and sukuk	1,483,281	(408,608)
Additions in investments held at fair value through income statement	<i>8(iii)</i> (219,579,979)	(259,845,023)
Proceeds from investments held at fair value through income statement	<i>8(iii)</i> 256,879,577	153,261,010
Time deposits	(118,849,000)	37,500,000
Proceeds from held to maturity investments	145,470,427	28,524,982
Net cash from / (used in) investing activities	<u>64,648,069</u>	(41,210,737)
FINANCING ACTIVITY		
Due to reinsurance operations	(54,107,788)	5,306,856
Net cash (used in) / from financing activity	<u>(54,107,788)</u>	5,306,856
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	5,349,545	(59,105,786)
Cash and cash equivalents at the beginning of the year	26,567,730	85,673,516
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>31,917,275</u>	26,567,730

The accompanying notes 1 to 33 form and integral part of these financial statements

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2015

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Saudi Reinsurance Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010250125 dated 12 Jumad Al-Awal 1429H (corresponding to 17 May 2008) with a branch in the Federal Territory of Labuan, Malaysia with license number IS2014146. The address of the Company's registered office is at P.O. Box 300259, Riyadh 11372, Al Wadi, Northern Ring Road West, Exit 7, Building 4130, Riyadh, Kingdom of Saudi Arabia.

The objective of the Company is to transact cooperative reinsurance and related activities inside and outside the Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

Basis of measurement

The financial statements have been prepared on the historical cost basis, modified to include the measurement at fair value of investments held at fair value through income statement.

Statement of compliance

The financial statements of the Company for the year ended 31 December 2015 have been prepared by the management in accordance with International Financial Reporting Standards (IFRS). Accordingly, these financial statements are not intended to be a presentation in conformity with the accounting standards generally accepted in the Kingdom of Saudi Arabia, as issued by the Saudi Organization for Certified Public Accountants (SOCPA).

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for reinsurance operations and shareholders' operations. The physical custody of all assets related to the reinsurance 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 determined by the management and Board of Directors.

Functional and presentational currency

The functional and presentational currency of the Company is Saudi Riyal.

3. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

The accounting policies used in the preparation of these financial statements are consistent with those used in the previous financial year, except for the adoption of the following new standards and other amendments to existing standards mentioned below:

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.

- Annual improvements to IFRS 2010-2012 and 2011-2013 cycle applicable for annual periods beginning on or after 1 July 2014.

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.

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

3. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS (Continued)

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 tentatively decided that IFRS 9 would be mandatorily effective for years ending on or after 31 December 2018.

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.

The following new or amended standards are not expected to have significant impact on the financial statements.

IFRS 15 Revenue from contracts with customers

Agriculture: Bearer Plants (Amendment to IAS 16 and 41)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below:

Basis of presentation

The Company maintains separate books of account for the reinsurance and shareholders' operations. Income and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined by Management and the Board of Directors.

The Company is required to distribute 10% of the net surplus from reinsurance operations to policyholders and the remaining 90% to the shareholders of the Company in accordance with the Insurance Law and Implementation Regulations issued by SAMA. Any deficit arising on reinsurance operations is transferred to the shareholders' operations in full.

Retrocession

The Company uses retrocession agreements to reduce its exposure to catastrophic losses on risks assumed to increase its aggregate underwriting capacity. The ceding of risk to retrocessionaires does not relieve the Company from its direct obligations to its ceding companies. An impairment review of amounts recoverable under retrocession agreements 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 retrocessionaire can be measured reliably. The impairment loss is recorded in the statement of reinsurance operations and accumulated surplus.

Premiums and claims are presented on a gross basis for both assumed reinsurance and retroceded business.

Retroceded assets and liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Cash and cash equivalents

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred acquisition costs (DAC)

Direct costs incurred during the financial period arising from the writing or renewing of reinsurance contracts are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs including supervision and inspection fees are expensed when incurred. Subsequent to initial recognition, deferred costs are amortized using the same basis as for unearned premiums. Amortization is recorded in the statement of reinsurance 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. When the recoverable amounts are less than the carrying value, an impairment loss is recognized in the statement of reinsurance operations and accumulated surplus. DAC is also considered in the liability adequacy test for each reporting period.

Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to statement of reinsurance operations and shareholders' comprehensive operations as they are consumed or expire with the passage of time.

Property and equipment

Property and equipment is stated at cost net of accumulated depreciation and any impairment in value. When significant parts of property and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in statement of income as incurred. Freehold land and capital work in progress are not depreciated.

The cost of all other property and equipment is depreciated on the straight-line method over the estimated useful lives of the assets as follows:

Building	33 Years
Computers and equipment	3-5 Years
Furniture and fixtures	5 Years
Motor vehicles	4 Years
Leasehold improvements	10 Years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. The carrying values of these assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of reinsurance operations and accumulated surplus or the statement of shareholders' operations or taken into income in the year the asset is derecognised.

Impairment of financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset or a group of financial assets may be impaired. If such evidence exists, any impairment loss is recognized in the statement of reinsurance operations and accumulated surplus or the statement of shareholders' operations.

Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the statement of reinsurance operations and accumulated surplus or the statement of shareholders' operations;
- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective special commission rate.

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Gross written premiums

Gross written premiums comprise of total premiums in relation to contracts incepting during the financial year irrespective of whether they relate in whole or in part to a later accounting period. It includes an estimate of pipeline premiums, being those premiums written but not reported to the Company at the statement of financial position date. Pipeline premiums are reported as accrued insurance premiums in the statement of financial position.

Where contract terms require the reinstatement of coverage after a ceding company's loss, the mandatory reinstatement premiums are calculated in accordance with the contract terms. The premium on the initial policy is then fully earned and the reinstatement of the premium is earned over the remaining exposure period.

Premiums earned and commission income

Premiums and commission income are earned over the periods to which they relate to cover the reinsurance risk. Unearned premiums and commission income represent the portion of premiums written and commission income relating to the unexpired period of coverage and are deferred based on the following methods:

- Actual number of days for facultative reinsurance and non-proportional reinsurance treaties and portfolio transferred from insurance companies.
- For proportional reinsurance treaties under consideration of the underlying exposure in relation to the line of business as follows:

<u>Line of business</u>	<u>Years</u>
Engineering	4
Others	2

The change in the provision for unearned premiums and commission income is taken to the statement of reinsurance operations and accumulated surplus in order to recognize revenue over the period to cover the reinsurance risks.

Claims

Claims, comprise of amounts of claims estimates notified by ceding companies under reinsurance contracts and related loss adjustment expenses, net of recoveries and are charged to statement of reinsurance operations.

These include the cost of claims and claims handling expenses paid during the period, together with the movements in provisions for outstanding claims, claims incurred but not reported (IBNR) and claims handling provisions. The ultimate liability may be in excess of or less than the amount provided.

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

The Company estimates its claims provisions based on previous experience. Independent loss adjusters normally estimate property claims. In addition, a provision based on management's judgement and the Company's prior experience, is maintained for Incurred But Not Reported ('IBNR') claims as well as for the cost of settling pending claims at the statement of financial position date. The IBNR amount is based on estimates calculated using widely accepted actuarial techniques such as Chain Ladder, Bornhuetter Ferguson Method and loss ratios which are reviewed at regular intervals by the Company's independent actuary. The techniques generally use projections, based on past experience of the development of claims over time, to form a view on the likely ultimate claims to be experienced. Regard is given to the variations in the business portfolio accepted and the underlying terms and conditions. Thus, the critical assumptions used when estimating provisions are that past experience is a reasonable predictor of likely future claims development and that the rating and business portfolio assumptions are a fair reflection of the likely level of ultimate claims to be incurred for the more recent years.

Liability adequacy test

At each statement of financial position date, a liability adequacy test is performed to ensure the adequacy of the reinsurance contracts liabilities net of related deferred acquisition costs. In performing these tests, Management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of reinsurance operations and accumulated surplus initially by writing off related deferred acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Premiums receivable

Premiums receivable are recognized when due and 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 reinsurance operations and accumulated surplus. Premiums receivable are derecognized when the derecognition criteria for financial assets have been met.

Accounts payable and accruals

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

Special commission income

Special commission income is recognized on an effective yield basis taking account of the principal outstanding and the applicable special commission rate.

Investments held at fair value through income statement

Investments held at fair value through income statement are investments designated at fair value through income statement at inception. For investments designated as fair value through income statement, the following criteria must be met:

- This designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets and liabilities or recognising gains or losses on a different basis, or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both, such assets and liabilities are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are measured at fair value.

Fair value adjustments and realised gains and losses are recognized in the statement of reinsurance operations and accumulated surplus and the statement of shareholders' operations.

Held to maturity investments

Investments with fixed or determinable payments whereby the Company has the positive intention and ability to hold till maturity are measured, after acquisition, at amortized cost less impairment in its value. The amortized cost is computed taking into consideration the discount or the premium at the acquisition date. Income or loss resulting from these investments is recognized in the statement of shareholders' operations upon derecognizing these investments or impairment in their value.

Employees' end of service benefits

Employees' end of service benefits are accrued currently and are payable as a lump sum to all employees under the terms and conditions of Saudi Labour Regulations on termination / end of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the statement of financial position date. End-of-service payments are based on employees' final salaries and allowances and their cumulative years of service, as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia.

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the exchange rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the respective statements of reinsurance operations and accumulated surplus or shareholders' operations.

Zakat and income tax

Zakat and income tax are provided for in accordance with Saudi Arabian Zakat and Tax Regulations and in accordance with local rules of the branch in Malaysia. As per the Company's by-laws, Zakat and income tax charge is transferred to the shareholders. Accordingly income tax is charged to Non-GCC shareholders' equity account while the zakat is charged to the GCC shareholders and general public equity account.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized 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 is not offset in the statements of reinsurance operations and accumulated surplus and shareholders' operations unless required or permitted by any accounting standard or interpretation.

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 are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

Segmental reporting

A segment is a distinguishable component of the Company that is engaged either in providing services (a business segment) or in providing services within a particular economic environment (a geographic segment), which is subject to its income and losses that are different from those of other segments. For management purposes, the Company is organized into business units based on their products and services and has six main reportable segments as follows:

- Engineering is a comprehensive insurance cover that is available to the insured in respect of contingencies which may happen on a construction or erection site. It provides an all risks cover for the works as well as a liability cover towards third parties for material damage or injury sustained as a result of the work being undertaken. The cover is also available for machinery.
- Fire insurance pays for specific losses when a property is damaged to due to fire, flood, earthquake and other external perils. It may also provide indemnity for loss of profit in case of an industrial or commercial activity.
- Marine insurance covers the loss or damage to cargo, terminals and or damage of ships or other means of transport of cargo by which property is transferred between the points of origin and final destination
- Motor insurance pays for loss or damage to own motor vehicles involved in accidents. It also pays for losses caused by its use to third party properties and bodily injuries
- Term life insurance is used to provide financial aid for dependents in case of death and in certain cases of illness or disability. It can be an individual or a group policy with set duration limit on the coverage with the option to renew the policy or not. Credit life insurance is used to pay off a borrower's debt if that borrower dies, with set duration limit on coverage with the option to renew the policy or not.
- General accident covers a variety of events/properties such as money, liabilities and personal accident whether for individual or group.

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

No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between business 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 business segments which will then be eliminated at the level of financial statements of the Company.

Deferred Excess of Loss Premiums

The company uses non-proportional excess of loss retrocession agreements on loss occurring basis to reduce its exposure arising from per risk and catastrophic losses on risks assumed and to manage underwriting capacity. The costs related to these agreements are amortized over the period of underwriting contracts and charged to statement of reinsurance operations.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Company's 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 statement of financial position date, 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 reinsurance contracts

The estimation of the ultimate liability arising from claims made under reinsurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that are 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 statement of financial position period, for which the insured event has occurred prior to the end of financial reporting period.

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 a quarterly basis. The Risk and Underwriting Committee, in conjunction with the Company's external actuaries, compares the changes in the technical reserves, to determine whether the change is reasonable.

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 recognized 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 acquisition costs

Certain acquisition costs related to the incoming reinsurance contracts are recorded as deferred acquisition costs (DAC) and are amortized in the statement of reinsurance operations and accumulated surplus over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realised, the amortization of these costs could be accelerated and this may also require additional impairment.

Fair values of financial instruments

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:

Saudi Reinsurance Company (A Saudi Joint Stock Company)**NOTES TO THE FINANCIAL STATEMENTS (continued)****As at 31 December 2015****5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)****Fair values of financial instruments (continued)**

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 Investment Committee, in conjunction with the Company's external fund managers, evaluates the performance of each investment asset to determine whether the same is reasonable in comparison to the market.

The Audit Committee, in conjunction with the Company's management, evaluates the changes in the fair value of each of the other assets and liabilities, to determine whether the applied methodology is reasonable.

6. CASH AND BANK BALANCES

	2015		2014	
	Reinsurance operations SR	Shareholders' operations SR	Reinsurance operations SR	Shareholders' operations SR
Cash in hand	20,000	--	13,461	--
Cash at bank	11,005,692	5,667,500	1,441,403	2,567,730
Time deposits having maturity of less than 3 months	50,000,000	26,249,775	--	24,000,000
	61,025,692	31,917,275	1,454,864	26,567,730

Cash at banks are placed with counterparties that have good credit ratings.

7. PREMIUMS RECEIVABLES

	2015 SR	2014 SR
Premiums receivables	197,764,243	116,296,386
Less: Provision for doubtful debts	(2,622,336)	(3,557,288)
	195,141,907	112,739,098

The movement of provision for doubtful debts is as follows:

	2015 SR	2014 SR
Opening balance	3,557,288	2,323,157
(Reversal) / charge for the year	(934,952)	1,234,131
Closing balance	2,622,336	3,557,288

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

7. PREMIUMS RECEIVABLES (CONTINUED)

As at 31 December, the ageing of gross premiums receivables is as follows:

	Neither past due nor impaired SR	Past due but not impaired			Past due and impaired SR	Total SR
		Less than 90 days SR	91 to 180 days SR	Above 180 days SR		
2015	138,023,334	25,943,800	19,011,324	12,163,449	2,622,336	197,764,243
2014	39,842,894	3,838,906	33,305,406	35,751,892	3,557,288	116,296,386

8. INVESTMENTS HELD AT FAIR VALUE THROUGH INCOME STATEMENT

i. Investments held at fair value through income statement consist of the following:

	Reinsurance operations		Shareholders' operations	
	2015 SR	2014 SR	2015 SR	2014 SR
Money Market Funds	21,844,963	73,769,574	36,280,976	172,150,946
Investment Funds	--	--	25,000,000	25,000,000
Equities	--	--	175,235,360	185,778,294
Fixed-Rate Bonds/Sukuk	49,380,880	48,641,076	396,373,680	338,481,689
Floating-Rate Bonds/Sukuk	2,481,530	2,501,087	54,690,250	11,260,635
	73,707,373	124,911,737	687,580,266	732,671,564

ii. The analysis of the composition of investments for shareholders' operations is as follows:

	2015		
	Quoted SR	Unquoted SR	Total SR
Money Market Funds	36,280,976	--	36,280,976
Investment Funds	--	25,000,000	25,000,000
Equities	175,235,360	--	175,235,360
Fixed-Rate Bonds/Sukuk	298,873,680	97,500,000	396,373,680
Floating-Rate Bonds/Sukuk	54,690,250	--	54,690,250
	565,080,266	122,500,000	687,580,266
	2014		
	Quoted SR	Unquoted SR	Total SR
Money Market Funds	172,150,946	--	172,150,946
Investment Funds	--	25,000,000	25,000,000
Equities	185,778,294	--	185,778,294
Fixed-Rate Bonds/Sukuk	298,444,620	40,037,069	338,481,689
Floating-Rate Bonds/Sukuk	11,260,635	--	11,260,635
	667,634,495	65,037,069	732,671,564

As at 31 December 2015 and 31 December 2014, all financial instruments under reinsurance operations which are measured at fair value are, are quoted and classified as Level 1 instruments. The following table shows an analysis of financial instruments under shareholders' operations measured at fair value by level of the fair value hierarchy:

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

8. INVESTMENTS HELD AT FAIR VALUE THROUGH INCOME STATEMENT (CONTINUED)

	2015			
	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Money Market Funds	36,280,976	--	--	36,280,976
Equities	175,235,360	--	--	175,235,360
Fixed-Rate Bonds/Sukuk	298,924,502	77,500,000	--	376,424,502
Floating-Rate Bonds/Sukuk	54,639,428	20,000,000	--	74,639,428
	565,080,266	97,500,000	--	662,580,266

	2014			
	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Money Market Funds	172,150,946	--	--	172,150,946
Equities	185,778,294	--	--	185,778,294
Fixed-Rate Bonds/Sukuk	298,444,620	40,037,069	--	338,481,689
Floating-Rate Bonds/Sukuk	11,260,635	--	--	11,260,635
	667,634,495	40,037,069	--	707,671,564

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 during the year ended 31 December 2015 and year ended 31 December 2014.

Investments under reinsurance and shareholders' operations include cash component of SR 4.1 million and SR 17.2 million respectively as at 31 December 2015 (31 December 2014: SR 6.7 million and SR 20 million respectively) available with external fund managers within the agreed investment guidelines.

iii. The movement of investments held at fair value through income statement is as follows:

	2015 SR		2014 SR	
	Reinsurance operations	Shareholders' operations	Reinsurance operations	Shareholders' operations
Opening balance	124,911,737	732,671,564	95,329,159	595,179,554
Additions	55,437,973	219,579,979	83,847,393	259,845,023
Disposals	(107,894,039)	(256,879,577)	(56,921,301)	(153,261,010)
Unrealized gains / (losses)	1,324,820	(7,851,967)	2,430,636	29,626,814
Realized (losses) / gains	(73,118)	60,267	225,850	1,281,183
Closing balance	73,707,373	687,580,266	124,911,737	732,671,564

iv. The geographical split of investments held at fair value through income statement is as follows:

	Domestic		International		Total	
	2015 SR	2014 SR	2015 SR	2014 SR	2015 SR	2014 SR
Reinsurance operations						
Money Market Funds	21,844,963	73,769,574	--	--	21,844,963	73,769,574
Fixed-Rate Bonds/Sukuk	3,913,426	4,275,616	45,467,454	44,365,460	49,380,880	48,641,076
Floating-Rate Bonds/Sukuk	--	--	2,481,530	2,501,087	2,481,530	2,501,087
Total	25,758,389	78,045,190	47,948,984	46,866,547	73,707,373	124,911,737

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

8. INVESTMENTS HELD AT FAIR VALUE THROUGH INCOME STATEMENT (CONTINUED)

	Domestic		International		Total	
	2015 SR	2014 SR	2015 SR	2014 SR	2015 SR	2014 SR
Shareholders' operations						
Money Market Funds	36,280,976	96,424,957	--	75,725,989	36,280,976	172,150,946
Investment Funds	25,000,000	25,000,000	--	--	25,000,000	25,000,000
Equities	78,742,056	82,893,663	96,493,304	102,884,631	175,235,360	185,778,294
Fixed-Rate Bonds/Sukuk	49,110,657	50,783,324	347,263,023	287,698,365	396,373,680	338,481,689
Floating-Rate Bonds/Sukuk	20,000,000	--	34,690,250	11,260,635	54,690,250	11,260,635
Total	209,133,689	255,101,944	478,446,577	477,569,620	687,580,266	732,671,564

v. The analysis of investments by counter-party is as follows:

	Reinsurance operations		Shareholders' operations	
	2015 SR	2014 SR	2015 SR	2014 SR
Fixed income counterparties				
Saudi Government	3,915,612	943,130	51,060,721	55,572,838
Non Saudi Government	34,711,511	22,415,610	236,649,185	220,145,014
Corporate and financial institutions	13,235,287	27,783,423	163,354,024	74,024,472
	51,862,410	51,142,163	451,063,930	349,742,324
Others				
Money Market Funds	21,844,963	73,769,574	36,280,976	172,150,946
Investment Funds	--	--	25,000,000	25,000,000
Equities	--	--	175,235,360	185,778,294
	21,844,963	73,769,574	236,516,336	382,929,240
Total	73,707,373	124,911,737	687,580,266	732,671,564

9. OUTSTANDING CLAIMS

	2015		
	Gross SR	Retroceded share SR	Net SR
Opening balance	609,842,291	(105,139,646)	504,702,645
Outstanding claims provided during the year	(4,460,109)	31,061,608	26,601,499
Claims incurred but not reported provided during the year	68,737,555	13,581,198	82,318,753
Change in outstanding claims	64,277,446	44,642,806	108,920,252
Closing balance	674,119,737	(60,496,840)	613,622,897
	2014		
	Gross SR	Retroceded share SR	Net SR
Opening balance	424,276,504	(104,888,575)	319,387,929
Outstanding claims provided during the year	102,659,489	24,868,879	127,528,368
Claims incurred but not reported provided during the year	82,906,298	(25,119,950)	57,786,348
Change in outstanding claims	185,565,787	(251,071)	185,314,716
Closing balance	609,842,291	(105,139,646)	504,702,645

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

9. OUTSTANDING CLAIMS (CONTINUED)

The appointed external actuary of the Company has recommended a range of reasonable best estimates of the Company's gross and net claims reserves as at 31 December 2015. As per the actuary any reserve within this range would be considered as a reasonable best estimate. The booked reserves of the Company lie within the recommended range.

10. PREPAID EXPENSES AND OTHER ASSETS

	2015		2014	
	Reinsurance operations SR	Shareholders' operations SR	Reinsurance operations SR	Shareholders' operations SR
Refundable deposits	42,138,543	--	27,023,542	--
Guarantee deposits (<i>Note 31b</i>)	47,250,000	--	--	--
Advances to employees	456,271	--	332,715	--
Advance payments	275,042	--	239,081	--
Prepaid insurance	271,977	55,867	286,398	33,120
Special commission received on statutory deposit	--	350,123	--	7,036,867
Others	901,622	--	231,398	30,726
	91,293,455	405,990	28,113,134	7,100,713

11. UNEARNED PREMIUMS

	2015		
	Gross SR	Retroceded share SR	Net SR
Opening balance	238,458,639	(2,080,440)	236,378,199
Premiums written during the year	804,825,788	(50,033,814)	754,791,974
Premium earned	(540,286,155)	44,750,795	(495,535,360)
Change in unearned premiums	264,539,633	(5,283,019)	259,256,614
Closing balance	502,998,272	(7,363,459)	495,634,813
	2014		
	Gross SR	Retroceded share SR	Net SR
Opening balance	215,025,067	(2,344,151)	212,680,916
Premiums written during the year	556,290,140	(41,695,766)	514,594,374
Premiums earned	(532,856,568)	41,959,477	(490,897,091)
Change in unearned premiums	23,433,572	263,711	23,697,283
Closing balance	238,458,639	(2,080,440)	236,378,199

12. DEFERRED ACQUISITION COSTS

	2015 SR	2014 SR
Opening balance	63,512,581	54,445,929
Incurred during the year	145,168,757	112,878,052
Charged for the year	(114,532,891)	(103,811,400)
Closing balance	94,148,447	63,512,581

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

13. PROPERTY AND EQUIPMENT

a) Reinsurance operations:

	Computers and Equipment SR	Furniture and Fixtures SR	Motor Vehicles SR	Leasehold Improvements SR	Work in Progress SR	Total SR
Cost:						
As at 1 January 2015	10,539,837	280,194	577,349	31,083	478,002	11,906,465
Additions during the year	521,322	82,275	497,710	337,751	136,575	1,575,633
Disposals during the year	--	--	(351,398)	--	--	(351,398)
Transfers during the year	478,001	--	--	--	(478,001)	--
As at 31 December 2015	11,539,160	362,469	723,661	368,834	136,576	13,130,700
Accumulated depreciation:						
As at 1 January 2015	5,102,732	135,029	385,540	14,124	--	5,637,425
Charged for the year	2,172,761	45,698	164,448	5,921	--	2,388,828
Disposals during the year	--	--	(351,398)	--	--	(351,398)
As at 31 December 2015	7,275,493	180,727	198,590	20,045	--	7,674,855
Net book value						
As at 31 December 2015	4,263,667	181,742	525,071	348,789	136,576	5,455,845
As at 31 December 2014	5,437,105	145,165	191,809	16,959	478,002	6,269,040

Following is the depreciation charge for reinsurance operations:

	2015 SR	2014 SR
Depreciation charge for the year	2,388,828	2,082,527
Allocated from shareholders' operations	808,506	--
	3,197,334	2,082,527

b) Shareholders' operations:

	Land SR	Building SR	Furniture and Fixtures SR	Work in Progress* SR	Total SR
Cost:					
As at 1 January 2015	18,329,960	11,454,040	3,702,468	718,578	34,205,046
Additions during the year	--	--	285,861	--	285,861
Transfers during the year	--	--	718,578	(718,578)	--
As at 31 December 2015	18,329,960	11,454,040	4,706,907	--	34,490,907
Accumulated depreciation:					
As at 1 January 2015	--	318,168	365,376	--	683,544
Charged for the year	--	347,092	461,414	--	808,506
As at 31 December 2015	--	665,260	826,790	--	1,492,050
Net book value:					
As at 31 December 2015	18,329,960	10,788,780	3,880,117	--	32,998,857
As at 31 December 2014	18,329,960	11,135,872	3,337,092	718,578	33,521,502

* Work in progress represents certain advances for the IT infrastructure.

14. TIME DEPOSITS

	2015		2014	
	Reinsurance operations SR	Shareholders' operations SR	Reinsurance operations SR	Shareholders' operations SR
Deposits with banks	35,218,332	118,849,000	13,125,000	--

Time deposits are placed with banks which have good credit ratings in line with Company's investment policy and have maturity period of more than three months from the date of original placement. Such deposits earn special commission at an average effective commission rate of 1.74% per annum (31 December 2014: 0.39% per annum).

Saudi Reinsurance Company (A Saudi Joint Stock Company)**NOTES TO THE FINANCIAL STATEMENTS (continued)****As at 31 December 2015****15. HELD TO MATURITY INVESTMENTS**

The Company sold all of its held to maturity investments during the year which resulted in a realized gain of SR 6 million. The maturity of these investments was in 2020. Since the investments have been sold before their maturity dates therefore, the Company is subject to tainting rules as per IAS 39 under which the Company is prohibited from using the held to maturity classification for two consecutive financial years i.e. 2016 and 2017.

16. UNEARNED COMMISSION INCOME

	2015 SR	2014 SR
Opening balance	749,782	810,894
Commission received on retroceded business during the year	3,830,751	1,887,068
Commission earned on retroceded business during the year	(2,773,928)	(1,948,180)
Closing balance	<u>1,806,605</u>	<u>749,782</u>

17. ACCRUED EXPENSES AND OTHER LIABILITIES

	2015		2014	
	Reinsurance operations SR	Shareholders' operations SR	Reinsurance operations SR	Shareholders' operations SR
Employees' bonus	2,092,008	--	700,000	--
Withholding tax payable	605,811	--	377,171	--
Professional fees payable	401,006	1,281,246	546,748	978,197
Meeting fees and expenses	--	542,306	--	204,000
Special Commission received on statutory deposit	--	7,942,517	--	7,036,867
Others	1,086,387	--	855,743	--
	<u>4,185,212</u>	<u>9,766,069</u>	<u>2,479,662</u>	<u>8,219,064</u>

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

18. CLAIMS DEVELOPMENT TABLE

The following table shows the estimates of cumulative incurred claims, including both claims notified and incurred but not reported for each successive underwriting year at each reporting date, together with cumulative payments to date. The development of reinsurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the claims. The Company aims to maintain adequate reserves in respect of its reinsurance 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 underwriting years. In order to maintain adequate reserves, the Company will transfer much of this release to the future underwriting years' reserves when the development of claims is less mature and there is much greater uncertainty attached to the ultimate cost of claims.

Gross reinsurance contract outstanding claims provision for 2015:

Underwriting year	2008 SR	2009 SR	2010 SR	2011 SR	2012 SR	2013 SR	2014 SR	2015 SR	Total SR
At end of underwriting year	--	14,604,225	36,202,623	63,269,242	69,508,746	151,085,137	189,635,345	246,424,970	--
One year later	1,793,149	35,936,856	102,016,518	85,963,070	241,296,822	346,110,228	366,004,953	--	--
Two years later	1,853,224	36,042,601	107,053,285	128,651,851	272,147,397	292,007,747	--	--	--
Three years later	1,215,210	35,215,559	110,002,720	136,558,005	262,332,461	--	--	--	--
Four years later	2,224,879	40,678,650	113,907,968	138,614,511	--	--	--	--	--
Five years later	2,125,404	37,570,689	108,691,503	--	--	--	--	--	--
Six years later	1,909,555	35,606,498	--	--	--	--	--	--	--
Seven years later	2,226,110	--	--	--	--	--	--	--	--
Current estimate of cumulative claims incurred	2,226,110	35,606,498	108,691,503	138,614,511	262,332,461	292,007,747	366,004,953	246,424,970	1,451,908,753
Cumulative payments to date	(1,727,631)	(31,389,394)	(98,346,204)	(96,311,609)	(202,319,159)	(186,394,385)	(158,785,413)	(2,515,221)	(777,789,016)
Total gross reinsurance outstanding claims provision per the statement of financial position	498,479	4,217,104	10,345,299	42,302,902	60,013,302	105,613,362	207,219,540	243,909,749	674,119,737

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

18. CLAIMS DEVELOPMENT TABLE (CONTINUED)

Net reinsurance contract outstanding claims provision for 2015:

Underwriting year	2008 SR	2009 SR	2010 SR	2011 SR	2012 SR	2013 SR	2014 SR	2015 SR	Total SR
At end of underwriting year	--	4,851,120	11,079,822	37,148,105	69,508,746	151,021,927	161,541,449	235,003,521	--
One year later	422,605	11,785,718	28,523,423	30,088,892	196,881,317	333,963,928	329,631,138	--	--
Two years later	415,190	12,114,279	28,493,982	79,420,790	232,160,401	278,846,717	--	--	--
Three years later	326,270	11,797,996	36,357,710	91,025,099	226,683,216	--	--	--	--
Four years later	465,274	13,217,765	36,021,874	98,693,297	--	--	--	--	--
Five years later	468,318	12,404,776	34,030,735	--	--	--	--	--	--
Six years later	334,271	11,519,781	--	--	--	--	--	--	--
Seven years later	542,580	--	--	--	--	--	--	--	--
Current estimate of cumulative claims incurred	542,580	11,519,781	34,030,735	98,693,297	226,683,216	278,846,717	329,631,138	235,003,521	1,214,950,985
Net cumulative payments to date	(348,340)	(10,498,463)	(31,953,334)	(68,047,685)	(170,138,025)	(178,052,969)	(140,776,163)	(1,513,109)	(601,328,088)
Total net reinsurance outstanding claims provision per the statement of financial position	194,240	1,021,318	2,077,401	30,645,612	56,545,191	100,793,748	188,854,975	233,490,412	613,622,897

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

19. ZAKAT AND INCOME TAX

a) Zakat

Zakat charge for the year of SR 15,376,199 (2014: SR 15,185,679) is based on the following:

	2015 SR	2014 SR
Share Capital	1,000,000,000	1,000,000,000
Statutory reserve – beginning of the year	6,070,924	6,070,924
Accumulated deficit – beginning of the year	(188,645,706)	(184,298,901)
Adjusted net income / (loss) for the year	5,749,393	(19,224,084)
Provisions	30,062,203	24,299,764
	853,236,814	826,847,703
Deductions:		
Statutory deposit	(100,000,000)	(100,000,000)
Others non-current assets	(132,603,150)	(103,303,123)
Zakat base	620,633,664	623,544,580
Zakat base for Saudi shareholders @ 99.1% (2014: 97.4152%)	615,047,961	607,427,200
Zakat provision for the year (Zakat base x 2.5%)	15,376,199	15,185,679

b) Income tax

Income tax for the year of SR 18,610 (2014: nil) is based on the following:

	2015 SR	2014 SR
Net income / (loss) for the year	364,132	10,838,874
Adjusted income / (loss)	5,749,393	(19,224,084)
Portion of net taxable (loss) / income for non-Saudi shareholders @ 0.9% (2014: 2.5848%)	51,745	(496,904)
Non-GCC share in Losses carried forward up to 25% of their share from the portion of taxable income	12,936	--
KSA operations' income tax base	38,808	(496,904)
Labuan Branch operations' income tax base	361,589	(725,014)
Income tax provision for the year:		
- (Head office operations' income tax base x 20%)	7,762	--
- (Labuan Branch operations' income tax base x 3%)	10,848	--
	18,610	--

c) The movement of the provision for zakat and income tax is as follows:

	2015 SR	2014 SR
Opening balance	35,441,642	33,184,598
Income tax provision for the year	18,610	--
Zakat provision for the year	15,376,199	15,185,679
Paid during the year	(11,417,727)	(12,928,635)
Closing balance	39,418,724	35,441,642

Saudi Reinsurance Company (A Saudi Joint Stock Company)**NOTES TO THE FINANCIAL STATEMENTS (continued)****As at 31 December 2015****19. ZAKAT AND INCOME TAX (CONTINUED)****d) Status of assessments**

The Company has filed its zakat returns for the years ended 31 December 2009 to 2014 with the Department of Zakat and Income Tax (DZIT). The Company has not yet received related final assessments from DZIT.

Zakat and income tax provisions are calculated based on the Company's best understanding of the DZIT instructions. Additional zakat and income tax provisions are accounted for to cover any differences that may arise on the final zakat and income tax assessments when received from DZIT and the Company's current provision for zakat and income tax.

20. SHARE CAPITAL

The authorized, issued and paid up share capital of the Company is SR 1 billion divided into 100 million shares of SR 10 each for the years 2015 and 2014.

21. STATUTORY RESERVE

In accordance with the Company's by-laws and Article 70 (2g) of the Insurance Implementing Regulations of SAMA, a minimum of 20% of the annual net income is required to be transferred to a statutory reserve until this reserve equals the paid up capital of the Company. This reserve is not available for distribution.

22. GENERAL AND ADMINISTRATIVE EXPENSES

	2015		2014	
	Reinsurance operations SR	Shareholders' operations SR	Reinsurance operations SR	Shareholders' operations SR
Salaries and related benefits	24,374,978	2,862,384	15,923,002	6,534,435
Depreciation (note 13)	3,197,334	--	2,082,527	683,544
Professional fees	1,835,706	1,134,378	370,307	1,655,980
Advertising	1,814,731	35,960	482,204	809,657
Travelling expenses	1,396,206	276,604	1,461,667	374,197
Rent and premises expenses	847,951	--	468,935	611,654
Consulting fees	332,083	133,500	124,270	711,341
Licensing fees	146,588	399,996	--	526,750
Withholding tax	95,038	4,163	24,170	70,343
Others	2,504,833	424,944	2,122,962	2,969,515
	36,545,448	5,271,929	23,060,044	14,947,416

23. BOARD OF DIRECTORS' REMUNERATION, MEETING FEE AND EXPENSES

	2015	2014
	SR	SR
Board of directors' remuneration	1,020,000	1,020,000
Meeting fees and expenses	627,862	538,388
	1,647,862	1,558,388

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

24. RELATED PARTY TRANSACTIONS AND BALANCES

The following are the details of related party transactions during the year and balances at the end of the year:

Related party	Nature of transactions	Amount of transactions for the year ended 31 December		Balance as at 31 December	
		2015 SR	2014 SR	2015 SR	2014 SR
Board of directors (BOD)	Consulting fees	332,083	383,376	--	--
	Remuneration	1,647,862	1,020,000	--	--
	Meeting fees and expenses	--	538,388	249,000	204,000
Key management personnel	Short term benefits	8,414,996	7,452,824	961,500	700,000
	End of service benefits	362,841	357,091	1,007,143	741,820
Companies represented by the BOD members	Gross written premiums	11,481,091	6,172,269	2,987,653	4,644,525
	Claims incurred	3,086,625	934,749	6,378,454	5,892,390
	Commission	2,954,614	1,561,007	--	--

Balances with related parties are included in premium receivables, accrued expenses and other liabilities shown in the statement of financial position.

25. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the years ended 31 December 2015 and 31 December 2014 have been calculated by dividing net income for the year by the average ordinary issued and outstanding shares at the end of the year.

26. STATUTORY DEPOSIT

The Company has deposited an amount of SR 100 million (31 December 2014: SR 100 million) with a local bank, which has been rated "A" (by Standard & Poor's Ratings Services) representing the statutory deposit of 10% of its paid-up capital as required by the Implementing Regulations of the "Law On Supervision of Cooperative Insurance Companies" issued by the Saudi Arabian Monetary Agency (SAMA). This statutory deposit cannot be withdrawn without the consent of SAMA. Further, this account also include special commission income of SR 7,592,394 earned on the statutory deposit.

27. NET SURPLUS / (DEFICIT) FROM REINSURANCE OPERATIONS

Net surplus / (deficit) from reinsurance operations has been charged to the statement of shareholders' operations. The total (deficit) / surplus charged from the date of incorporation of the Company to 31 December 2015 is as follows:

	SR
For the period from 1 May 2008 to 31 December 2008 - deficit	(11,925,491)
For the year ended 31 December 2009 – deficit	(20,545,633)
For the year ended 31 December 2010 – deficit	(21,935,456)
For the year ended 31 December 2011 – deficit	(37,083,139)
For the year ended 31 December 2012 - surplus	8,388,698
For the year ended 31 December 2013 – deficit	(139,604,488)
For the year ended 31 December 2014 – deficit	(9,397,008)
For the year ended 31 December 2015 – surplus	2,320,358
Net deficits	(229,782,159)

28. NET CLAIMS PAID

	2015 SR	2014 SR
Gross claims paid	282,426,046	242,980,550
Retroceded share of claims paid	(51,863,545)	(27,284,732)
Net claims paid	230,562,501	215,695,818

Net claims paid include all amounts paid and amounts received from insurance companies.

29. SEGMENTAL INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief decision maker in order to allocate resources to the segments and to assess its performance. Consistent with the Company's internal reporting process, business and geographical segments have been approved by the Management Committee in respect of the Company's activities, assets and liabilities as stated below.

Segment results do not include realized and unrealized gains on investments held at fair value through income statement, other income, investment management expenses and all general and administrative expenses except depreciation.

Segment assets do not include cash and cash equivalents of reinsurance operations, time deposits, investments held at fair value through income statement, prepaid expenses and other assets, due from shareholders' operations and property and equipment.

Segment liabilities do not include surplus distribution payable, accrued expenses and other liabilities and employees' end of service benefits.

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

29. SEGMENTAL INFORMATION (CONTINUED)

29.1 Business segments

The Company revises periodically its estimated gross written premiums and related retroceded premium upon receipt of actual information from cedants. In some business segments, this results in negative gross written premiums, positive retroceded premiums and negative net written premiums for the year when the revision took place.

	Engineering SR	Fire SR	Marine SR	Motor SR	General Accident SR	Life SR	Speciality SR	Others SR	Total SR
For the year ended 31 December 2015									
Reinsurance operations' results									
Gross written premiums	83,384,547	159,616,826	54,195,792	330,907,553	38,920,956	42,681,280	44,879,611	50,239,223	804,825,788
Retroceded premiums	(6,265,653)	(2,857,165)	(617,950)	(4,435)	(1,748,711)	(365,105)	--	(318,179)	(12,177,198)
Excess of loss expenses	(8,147,137)	(24,308,240)	(1,107,703)	(1,894)	(699,533)	(1,720,052)	--	(1,872,057)	(37,856,616)
Net written premiums	68,971,757	132,451,421	52,470,139	330,901,224	36,472,712	40,596,123	44,879,611	48,048,987	754,791,974
Change in net unearned premiums	(5,303,415)	(6,162,448)	(101,679)	(215,275,502)	(3,281,786)	6,521,166	(29,919,740)	(5,733,210)	(259,256,614)
Net earned premiums	63,668,342	126,288,973	52,368,460	115,625,722	33,190,926	47,117,289	14,959,871	42,315,777	495,535,360
Net claims paid	(16,520,162)	(96,523,235)	(19,664,025)	(12,115,787)	(8,527,419)	(62,344,267)	--	(14,867,606)	(230,562,501)
Change in net outstanding claims	(17,237,221)	17,159,168	1,142,403	(71,542,417)	(7,962,240)	(17,491,382)	(8,527,126)	(4,461,437)	(108,920,252)
Net claims incurred	(33,757,383)	(79,364,067)	(18,521,622)	(83,658,204)	(16,489,659)	(79,835,649)	(8,527,126)	(19,329,043)	(339,482,753)
Change in premium deficiency reserve	--	--	--	--	--	--	--	--	--
Gross acquisition costs and profit commission	(23,552,492)	(39,133,850)	(19,432,374)	(10,400,196)	(11,846,954)	366,590	(7,117,461)	(3,416,154)	(114,532,891)
Commissions earned on retroceded business	1,474,234	279,973	568,892	443	314,344	46,076	--	89,966	2,773,928
Supervision and inspection fees	(416,923)	(798,084)	(270,979)	(1,654,538)	(194,605)	(213,406)	(224,398)	(251,196)	(4,024,129)
Net acquisition costs	(22,495,181)	(39,651,961)	(19,134,461)	(12,054,291)	(11,727,215)	199,260	(7,341,859)	(3,577,384)	(115,783,092)
Net underwriting results	7,415,778	7,272,945	14,712,377	19,913,227	4,974,052	(32,519,100)	(909,114)	19,409,350	40,269,515

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

29. SEGMENTAL INFORMATION (CONTINUED)

29.1 Business segments (continued)

	Engineering SR	Fire SR	Marine SR	Motor SR	General Accident SR	Life SR	Speciality SR	Others SR	Total SR
For the year ended 31 December 2014									
Reinsurance operations' results									
Gross written premiums	87,406,366	212,311,444	55,227,018	24,980,693	37,435,789	97,019,188	--	41,909,642	556,290,140
Retroceded premiums	(6,674,174)	154,867	315,845	--	25,947	(506)	--	76,829	(6,101,192)
Excess of loss expenses	(7,210,479)	(23,582,591)	(1,192,307)	(390,013)	(411,886)	(1,929,474)	--	(877,824)	(35,594,574)
Net written premiums	73,521,713	188,883,720	54,350,556	24,590,680	37,049,850	95,089,208	--	41,108,647	514,594,374
Change in net unearned premiums	(4,356,054)	(23,884,961)	(3,446,679)	17,607,701	(4,347,957)	(1,116,661)	--	(4,152,672)	(23,697,283)
Net earned premiums	69,165,659	164,998,759	50,903,877	42,198,381	32,701,893	93,972,547	--	36,955,975	490,897,091
Net claims paid	(13,721,735)	(95,545,903)	(12,942,772)	(22,499,600)	(2,043,693)	(49,172,597)	--	(19,769,518)	(215,695,818)
Change in net outstanding claims	(50,486,473)	(38,998,892)	(17,521,205)	(18,815,702)	(10,246,289)	(17,953,499)	--	(31,292,656)	(185,314,716)
Net claims incurred	(64,208,208)	(134,544,795)	(30,463,977)	(41,315,302)	(12,289,982)	(67,126,096)	--	(51,062,174)	(401,010,534)
Change in premium deficiency reserve	(3,685,000)	37,192,000	(1,219,349)	5,538,000	(1,734,000)	(8,133,000)	--	(1,791,651)	26,167,000
Gross acquisition costs and profit commission	(19,562,216)	(48,767,601)	(14,793,645)	(6,450,577)	(8,197,800)	(3,454,822)	--	(2,584,739)	(103,811,400)
Commissions earned on retroceded business	1,846,964	111,591	(194,395)	--	177,817	14,553	--	(8,350)	1,948,180
Supervision and inspection fees	(437,032)	(1,061,557)	(276,135)	(124,903)	(187,179)	(485,096)	--	(209,549)	(2,781,451)
Net acquisition costs	(18,152,284)	(49,717,567)	(15,264,175)	(6,575,480)	(8,207,162)	(3,925,365)	--	(2,802,638)	(104,644,671)
Net underwriting results	(16,879,833)	17,928,397	3,956,376	(154,401)	10,470,749	14,788,086	--	(18,700,488)	11,408,886
	Engineering SR	Fire SR	Marine SR	Motor SR	General Accident SR	Life SR	Speciality SR	Others SR	Total SR
As at 31 December 2015									
Segment assets	106,940,078	170,843,942	56,307,032	319,475,324	34,351,600	51,594,334	38,406,599	37,445,036	815,363,945
Segment liabilities	218,456,484	336,859,146	65,174,883	345,834,695	48,548,043	67,886,450	39,178,870	82,369,413	1,204,307,984
As at 31 December 2014									
Segment assets	113,114,275	219,791,772	51,230,751	13,472,020	26,947,223	70,577,546	--	25,836,246	520,969,833
Segment liabilities	207,461,414	393,224,537	63,143,310	49,731,040	36,993,159	61,017,335	--	65,399,886	876,970,681

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

29. SEGMENTAL INFORMATION (CONTINUED)

29.2 Geographical segments

	Kingdom of Saudi Arabia SR	Other Middle Eastern Countries SR	Africa SR	Asia SR	Other territories SR	Total SR
For the year ended 31 December 2015						
Reinsurance operations' results						
Gross written premiums	519,344,661	89,983,990	28,450,565	122,166,961	44,879,611	804,825,788
Retroceded premiums	(12,304,249)	(174,828)	317,972	(16,093)	--	(12,177,198)
Excess of loss expenses	(24,695,867)	(4,734,621)	(3,479,564)	(4,946,564)	--	(37,856,616)
Net written premiums	482,344,545	85,074,541	25,288,973	117,204,304	44,879,611	754,791,974
Change in net unearned premiums	(222,850,124)	(7,268,717)	324,041	457,924	(29,919,738)	(259,256,614)
Net earned premiums	259,494,421	77,805,824	25,613,014	117,662,228	14,959,873	495,535,360
Net claims paid	(127,655,456)	(40,176,105)	(26,349,668)	(36,381,272)	--	(230,562,501)
Change in net outstanding claims	(67,293,607)	6,890,156	(10,961,436)	(29,028,243)	(8,527,122)	(108,920,252)
Net claims incurred	(194,949,063)	(33,285,949)	(37,311,104)	(65,409,515)	(8,527,122)	(339,482,753)
Change in premium deficiency reserve	--	--	--	--	--	--
Gross acquisition costs and profit commission	(49,810,386)	(22,796,421)	(6,856,574)	(27,952,048)	(7,117,462)	(114,532,891)
Commissions earned on retroceded business	2,797,983	24,041	(47,302)	(794)	--	2,773,928
Supervision and inspection fees	(2,596,723)	(449,920)	(142,253)	(610,835)	(224,398)	(4,024,129)
Net acquisition costs	(49,609,126)	(23,222,300)	(7,046,129)	(28,563,677)	(7,341,860)	(115,783,092)
Net underwriting results	14,936,232	21,297,575	(18,744,219)	23,689,036	(909,109)	40,269,515

	Kingdom of Saudi Arabia SR	Other Middle Eastern Countries SR	Africa SR	Asia SR	Other territories SR	Total SR
For the year ended 31 December 2014						
Reinsurance operations' results						
Gross written premiums	278,817,861	94,954,416	63,884,168	118,633,695	--	556,290,140
Retroceded premiums	(5,085,095)	(921,127)	(94,970)	--	--	(6,101,192)
Excess of loss expenses	(22,443,089)	(6,219,823)	(3,201,119)	(3,730,543)	--	(35,594,574)
Net written premiums	251,289,677	87,813,466	60,588,079	114,903,152	--	514,594,374
Change in net unearned premiums	(3,139,991)	(6,417,500)	4,384,888	(18,524,680)	--	(23,697,283)
Net earned premiums	248,149,686	81,395,966	64,972,967	96,378,472	--	490,897,091
Net claims paid	(134,643,340)	(26,983,273)	(36,258,948)	(17,810,257)	--	(215,695,818)
Change in net outstanding claims	(61,721,664)	(30,745,753)	(25,882,603)	(66,964,696)	--	(185,314,716)
Net claims incurred	(196,365,004)	(57,729,026)	(62,141,551)	(84,774,953)	--	(401,010,534)
Change in premium deficiency reserve	11,101,705	7,003,233	4,428,334	3,633,728	--	26,167,000
Gross acquisition costs and profit commission	(52,043,049)	(18,618,356)	(13,665,799)	(19,484,196)	--	(103,811,400)
Commissions earned on retroceded business	1,459,383	480,088	8,709	--	--	1,948,180
Supervision and inspection fees	(1,394,089)	(474,772)	(319,421)	(593,169)	--	(2,781,451)
Net acquisition costs	(51,977,755)	(18,613,040)	(13,976,511)	(20,077,365)	--	(104,644,671)
Net underwriting results	10,908,632	12,057,133	(6,716,761)	(4,840,118)	--	11,408,886

Saudi Reinsurance Company (A Saudi Joint Stock Company)**NOTES TO THE FINANCIAL STATEMENTS (continued)**

As at 31 December 2015

29. SEGMENTAL INFORMATION (CONTINUED)**29.2 Geographical segments**

	Kingdom of Saudi Arabia SR	Other Middle Eastern Countries SR	Africa SR	Asia SR	Other territories SR	Total SR
As at 31 December 2015						
Reinsurance operations						
Segment assets	521,641,051	102,642,399	37,943,900	115,342,681	37,793,914	815,363,945
Segment liabilities	716,934,291	172,026,457	57,757,256	219,458,638	38,131,342	1,204,307,984
As at 31 December 2014						
Segment assets	304,989,613	88,339,001	44,527,103	83,114,116	--	520,969,833
Segment liabilities	522,011,642	144,200,215	64,194,324	146,564,500	--	876,970,681

30. RISK MANAGEMENT**Risk governance**

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

Risk management structure

A cohesive organizational 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 centralized oversight of the Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

Senior management

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

The risks faced by the Company and the way these risks are mitigated by Management are as follows:

30.1 Reinsurance risk

The risk resulting from reinsurance business written is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such reinsurance contracts is that the actual claims and benefit payments exceed the carrying amount of reinsurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid being greater than originally estimated and subsequent development of long-term claims.

The variability of risks is improved by the diversification of the risks written and the build-up of a large portfolio of reinsurance contracts, (inward business) as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks is also improved by a careful selection of inward business, by the underwriting guidelines as well as the use of retrocession protection. The Company's underwriting strategy includes, but is not limited to, the following:

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

30. RISK MANAGEMENT (CONTINUED)

30.1 Reinsurance risk (continued)

- Diversification in the type of accepted risks, and within each of these categories to achieve sufficiently large population of risks to reduce the variability of the expected outcome.
- Diversification of the underwriting risks in terms of type and amount of risk, industry and geographical location.

In order to minimize its financial exposure arising from large claims, the Company in the normal course of business, enters into retrocession agreements with other parties. Such retrocession agreements provide for higher underwriting capacity, and allow Management to contain exposure with the risk appetite of the Company. The retrocession is effected under proportional treaties such as quota share and surplus and non-proportional treaties such as excess of loss for risk and catastrophe to ensure its net retention is aligned with its risk tolerance.

Although the Company has retrocession agreements, it is not relieved of its direct obligations to its ceding companies and thus a credit exposure exists with respect to its retrocessionaires, to the extent that any retrocessionaire is unable to meet its obligations assumed under such retrocession agreements.

Geographical concentration of risk

The Company accepts reinsurance business from insurance companies in the Kingdom of Saudi Arabia, the Middle East, Africa and Asia. The written premiums are distributed geographically as follows:

	For the year ended 31 December 2015	
	Amount	
	SR	Percentage
Kingdom of Saudi Arabia	519,344,661	64%
Other Middle Eastern Countries	89,983,990	11%
Africa	28,450,565	4%
Asia	122,166,961	15%
Others	44,879,611	6%
	804,825,788	100%

	For the year ended 31 December 2014	
	Amount	
	SR	Percentage
Kingdom of Saudi Arabia	278,817,861	50%
Other Middle Eastern Countries	94,954,416	17%
Africa	63,884,168	12%
Asia	118,633,695	21%
	556,290,140	100%

Key assumptions

The key assumptions underlying the liability estimates are the Company's estimated ultimate loss ratio. The ultimate loss ratio was determined using actuarial methods.

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions such as the ultimate loss ratio with all other assumptions held constant showing the impact on net liabilities and net income as follows:

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

30. RISK MANAGEMENT (CONTINUED)

31 December 2015

	Change in assumptions	Net impact on net liabilities SR	Impact on net income SR
Ultimate loss ratio	+10%	49,553,536	49,553,536
	-10%	(49,553,536)	(49,553,536)

31 December 2014

	Change in assumptions	Net Impact on net liabilities SR	Impact on net income SR
Ultimate loss ratio	+10%	49,089,710	49,089,710
	-10%	(49,089,710)	(49,089,710)

30.2 Retrocession risk

In order to minimize its financial exposure arising from large claims, the Company in the normal course of business, enters into retrocession agreements with other parties. Amounts recoverable from retrocessionaire are estimated and recognized in a manner consistent with the amounts associated with the underlying accepted policy benefits and in accordance with the terms of the respective retrocession treaties and are presented in the statement of financial position as reinsurance assets

To minimize its exposure to significant losses from retrocessionaire insolvencies, the Company evaluates the financial condition of its retrocessionaires and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the retrocessionaire.

Retrocessionaires are selected using the following parameters and guidelines set by the Company's Board of Directors and Risk and Underwriting Committee. The criteria may be summarized as follows:

- Minimum acceptable credit rating by recognized rating agencies (e.g. Standard & Poors) that is not lower than BBB (S&P) or equivalent.
- Reputation of particular retrocessionaire companies.
- Existing or past business experience with the retrocessionaire.

Furthermore, the financial strength, managerial and technical expertise as well as historical performance, wherever applicable, are thoroughly reviewed by the Company and matched against a list of requirements pre-set by the Company's Board of Directors and Risk and Underwriting Committee before approving them as retrocessionaires.

Retrocession contracts do not relieve the Company from its obligations to ceding companies and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the retrocessionaire fails to meet the obligations under the retrocession agreements.

30.3 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 such as capital adequacy to minimize the risk of default and insolvency on the part of the reinsurance companies and to enable them to meet unforeseen liabilities as these arise.

30.4 Claims management risk

Claims management risk may arise within the Company in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs. These risks may damage the Company and undermine its ability to win and retain business, or incur punitive damages. These risks can occur at any stage of the claims life cycle. The Company's claims teams are focused on delivering quality, reliability and speed of service the ceding companies un reinsurance contracts. Their aim is to adjust and process claims in a fair, efficient and timely manner, in accordance with the policy's terms and conditions, the regulatory environment, and the business' broader interests. Prompt and accurate case reserves are set for all known claims liabilities, including provisions for expenses, as soon as a reliable estimate can be made of the claims liability.

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

30. RISK MANAGEMENT (CONTINUED)

30.5 Reserving and ultimate reserves risk

Reserving and ultimate reserves risk occurs within the Company where established insurance liabilities are insufficient through inaccurate forecasting, or where there is inadequate allowance for expenses and reinsurance bad debts in provisions. To manage reserving and ultimate reserves risk, the Company actuarial team uses a range of recognised techniques to project ultimate claims, monitor claims development patterns and stress-test ultimate insurance liability balances.

The objective of the Company's reserving policy is to produce accurate and reliable estimates that are consistent over time and across classes of business.

30.6 Credit risk

Credit risk is the risk that one party will fail to discharge an obligation related to a financial instrument 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. 45% of the Company's receivables is due from two ceding and two broker companies as at 31 December 2015 (31 December 2014: 39%). However, the following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- To minimize its exposure to significant losses from retrocessionaires insolvencies, the Company evaluates the financial condition of its retrocessionaires counterparties. Accordingly, as a pre-requisite, the parties with whom retrocession is effected are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company, with respect to credit risk arising from other financial assets, only deals with commercial banks with strong financial position and credit ratings.
- The Company enters into inward insurance contracts with recognized, creditworthy third parties. In addition, receivables from ceding companies 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 ceding companies through monitoring outstanding receivables.

The table below shows the maximum exposure to credit risk for the assets of the statements of financial position.

	31 December 2015		31 December 2014	
	Reinsurance operations	Shareholders' operations	Reinsurance operations	Shareholders' operations
Cash and bank balances	61,025,692	31,917,275	1,454,864	26,567,730
Time deposits	35,218,332	118,849,000	13,125,000	--
Premiums receivable	195,141,907	--	112,739,098	--
Prepaid expenses and other assets	91,293,455	405,990	28,113,134	7,100,713
Retroceded share of outstanding claims	60,496,840	--	105,139,646	--
Accrued special commission income from time deposits	--	540,411	--	70,035
Accrued special commission income from bonds and sukuk	--	2,220,485	--	3,703,766
Held to maturity investments	--	--	--	145,470,427
Statutory deposit	--	107,592,394	--	100,000,000
	443,176,226	261,525,555	260,571,742	282,912,671

The credit quality for held to maturity investments is as follows:

Credit quality	Credit Rating Agency	31 December 2015 SR	31 December 2014 SR
AA-/AA	S&P/ Moody's/Fitch	--	47,228,989
A-/A+	S&P/ Moody's/Fitch	--	93,760,109
BBB	S&P/ Moody's/Fitch	--	4,481,329
		--	145,470,427

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

30. RISK MANAGEMENT (CONTINUED)

30.6 Credit risk

The used rating grades for investments are being adopted by Standard & Poors.

The credit quality for investments held at fair value through income statement is as follows:

Credit quality	Credit Rating Agency	Financial Instruments	Reinsurance operations		Shareholders' operations	
			2015 SR	2014 SR	2015 SR	2014 SR
AAA/Aaa	S&P/ Moody's/Fitch	Bonds / Sukuks	4,055,040	6,706,535	60,644,199	45,078,616
AA/Aa	S&P/ Moody's/Fitch	Bonds / Sukuks	14,053,070	15,341,692	103,931,906	97,223,071
A	S&P/ Moody's/Fitch	Bonds / Sukuks	33,754,300	29,093,936	110,047,147	119,451,616
BBB/Baa	S&P/ Moody's/Fitch	Bonds / Sukuks	--	--	139,721,492	67,241,945
BB/Ba & below	S&P/ Moody's/Fitch	Bonds / Sukuks	--	--	3,109,095	11,763,195
Unrated		Bonds / Sukuks	--	--	33,610,091	8,983,881
Unrated		Money Market Funds/ Investment Funds/Equities	21,844,963	73,769,574	236,516,336	382,929,240
			73,707,373	124,911,737	687,580,266	732,671,564

30.7 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with its 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.

All time deposits held by the Company at the statement of financial position date had original maturity periods between three months and five years.

Maturity profiles

The table below summarizes the maturity profile of the financial liabilities of the Company based on remaining expected undiscounted contractual obligations. Maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums and premium deficiency reserves have been excluded from the analysis as they are not contractual obligations. Employees' end of service benefits do not have any fixed maturity.

	31 December 2015					
	Reinsurance' operations			Shareholders' operations		
	Up to one year SR	More than one year SR	Total SR	Up to one year SR	More than one year SR	Total SR
LIABILITIES						
Accounts payable	10,101,722	--	10,101,722	--	--	--
Retrosession balances payable	14,927,181	--	14,927,181	--	--	--
Accrued retroceded premiums	354,467	--	354,467	--	--	--
Gross outstanding claims	674,119,737	--	674,119,737	--	--	--
Accrued expenses and other liabilities	4,185,212	--	4,185,212	9,766,069	--	9,766,069
Provision for zakat and income tax	--	--	--	39,418,724	--	39,418,724
	703,688,319	--	703,688,319	49,184,793	--	49,184,793

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

30 RISK MANAGEMENT (CONTINUED)

30.7 Liquidity risk (continued)

Maturity profiles (continued)

	31 December 2014					
	Reinsurance operations			Shareholders' operations		
	Up to one year SR	More than one year SR	Total SR	Up to one year SR	More than one year SR	Total SR
LIABILITIES						
Accounts payable	22,617,656	--	22,617,656	--	--	--
Retrocession balances payable	4,173,060	--	4,173,060	--	--	--
Accrued retroceded premiums	1,129,253	--	1,129,253	--	--	--
Gross outstanding claims	609,842,291	--	609,842,291	--	--	--
Accrued expenses and other liabilities	2,479,662	--	2,479,662	8,219,064	--	8,219,064
Provision for zakat and income tax	--	--	--	35,441,642	--	35,441,642
	640,241,922	--	640,241,922	43,660,706	--	43,660,706

Liquidity profile

None of the liabilities shown in the statement of financial position are based on discounted cash flows as they are all payable within twelve months of the statement of financial position date.

Maturity analysis on expected maturity bases

	31 December 2015					
	Reinsurance' operations			Shareholders' operations		
	Current SR	Non- current SR	Total SR	Current SR	Non-current SR	Total SR
ASSETS						
Cash and bank balances	61,025,692	--	61,025,692	31,917,275	--	31,917,275
Time deposits	35,218,332	--	35,218,332	118,849,000	--	118,849,000
Premium receivables	195,141,907	--	195,141,907	--	--	--
Investments held at fair value through income statement	73,707,373	--	73,707,373	687,580,266	--	687,580,266
Accrued insurance premiums	440,823,628	--	440,823,628	--	--	--
Retroceded share of outstanding claims	60,496,840	--	60,496,840	--	--	--
Prepaid expenses and other assets	44,043,455	47,250,000	91,293,455	405,990	--	405,990
Due from shareholders' operations	130,783,161	--	130,783,161	--	--	--
Retroceded share of unearned premiums	7,363,459	--	7,363,459	--	--	--
Deferred acquisition costs	94,148,447	--	94,148,447	--	--	--
Deferred excess of loss premiums	17,389,664	--	17,389,664	--	--	--
Property and equipment	--	5,455,845	5,455,845	--	32,998,857	32,998,857
Held to maturity investments	--	--	--	--	--	--
Accrued special commission income from time deposits	--	--	--	540,411	--	540,411
Accrued special commission income from bonds and sukuk	--	--	--	2,220,485	--	2,220,485
Statutory deposit	--	--	--	--	107,592,394	107,592,394
	1,160,141,958	52,705,845	1,212,847,803	841,513,427	140,591,251	982,104,678

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

30 RISK MANAGEMENT (CONTINUED)

30.7 Liquidity risk (continued)

Liquidity profile (continued)

Maturity analysis on expected maturity bases

	31 December 2015					
	Reinsurance' operations			Shareholders' operations		
	Current SR	Non- current SR	Total SR	Current SR	Non-current SR	Total SR
LIABILITIES						
Accounts payable	10,101,722	--	10,101,722	--	--	--
Retrocession balances payable	14,927,181	--	14,927,181	--	--	--
Accrued retroceded premiums	354,467	--	354,467	--	--	--
Gross unearned premiums	502,998,272	--	502,998,272	--	--	--
Gross outstanding claims	674,119,737	--	674,119,737	--	--	--
Premium deficiency reserve	--	--	--	--	--	--
Unearned commission income	1,806,605	--	1,806,605	--	--	--
Accrued expenses and other liabilities	4,185,212	--	4,185,212	9,766,069	--	9,766,069
Employees' end of service benefits	--	3,164,713	3,164,713	--	--	--
Provision for zakat and income tax	--	--	--	39,418,724	--	39,418,724
Due to reinsurance operations	--	--	--	130,783,161	--	130,783,161
	1,208,493,196	3,164,713	1,211,657,909	179,967,954	--	179,967,954

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

30 RISK MANAGEMENT (CONTINUED)

30.7 Liquidity risk (continued)

Maturity analysis on expected maturity bases (continued)

	31 December 2014					
	Reinsurance operations			Shareholders' operations		
	Current SR	Non-current SR	Total SR	Current SR	Non-current SR	Total SR
ASSETS						
Cash and bank balances	1,454,864	--	1,454,864	26,567,730	--	26,567,730
Time deposits	13,125,000	--	13,125,000	--	--	--
Premium receivables	112,739,098	--	112,739,098	--	--	--
Investments held at fair value through income statement	124,911,737	--	124,911,737	732,671,564	--	732,671,564
Accrued insurance premiums	220,186,253	--	220,186,253	--	--	--
Retroceded share of outstanding claims	105,139,646	--	105,139,646	--	--	--
Prepaid expenses and other assets Due from shareholders' operations	28,113,134	--	28,113,134	7,100,713	--	7,100,713
Retroceded share of unearned premiums	188,019,813	--	188,019,813	--	--	--
Deferred acquisition costs	2,080,440	--	2,080,440	--	--	--
Deferred excess of loss premiums	63,512,581	--	63,512,581	--	--	--
Property and equipment	17,311,815	--	17,311,815	--	--	--
Held to maturity investments	--	6,269,040	6,269,040	--	33,521,502	33,521,502
Accrued special commission income from time deposits	--	--	--	93,760,109	51,710,318	145,470,427
Accrued special commission income from bonds and sukuk	--	--	--	--	70,035	70,035
Statutory deposit	--	--	--	--	3,703,766	3,703,766
	--	--	--	--	100,000,000	100,000,000
	876,594,381	6,269,040	882,863,421	860,100,116	189,005,621	1,049,105,737
LIABILITIES						
Accounts payable	22,617,656	--	22,617,656	--	--	--
Retrocession balances payable	4,173,060	--	4,173,060	--	--	--
Accrued retroceded premiums	1,129,253	--	1,129,253	--	--	--
Gross unearned premiums	238,458,639	--	238,458,639	--	--	--
Gross outstanding claims	609,842,291	--	609,842,291	--	--	--
Premium deficiency reserve	--	--	--	--	--	--
Unearned commission income	749,782	--	749,782	--	--	--
Accrued expenses and other liabilities	2,479,662	--	2,479,662	8,219,064	--	8,219,064
Employees' end of service benefits	--	2,481,001	2,481,001	--	--	--
Provision for zakat and income tax	--	--	--	35,441,642	--	35,441,642
Due to reinsurance operations	--	--	--	188,019,813	--	188,019,813
	879,450,343	2,481,001	881,931,344	231,680,519	--	231,680,519

30.8 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 transactions are carried out in local and foreign currencies. Management believes that there is no significant foreign currency exposure since most of the Company's transactions not denominated in Saudi Riyals were undertaken in foreign currencies which are pegged to the Saudi Riyal.

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

30. RISK MANAGEMENT (CONTINUED)

30.8 Currency risk (continued)

The table below represents the Company's assets and liabilities denominated in major currencies as follows:

31 December 2015	SR	USD	QAR	AED	EUR	KWD	INR	Other	Total
	SR	SR	SR	SR	SR	SR	SR	SR	SR
ASSETS									
Reinsurance operations									
Cash and bank balances	55,187,027	2,717,553	--	351,075	1,721,532	--	--	1,048,505	61,025,692
Time deposits	17,000,000	18,218,332	--	--	--	--	--	--	35,218,332
Premiums receivable	90,002,345	27,559,312	4,940,379	4,714,504	287,839	9,721,349	10,159,944	47,756,235	195,141,907
Investments held at fair value through income statement	21,844,964	51,862,409	--	--	--	--	--	--	73,707,373
Accrued insurance premiums	308,333,776	32,272,707	14,327,566	1,477,791	2,343,113	1,469,825	15,760,446	64,838,404	440,823,628
Retroceded share of unearned premiums	7,363,459	--	--	--	--	--	--	--	7,363,459
Retroceded share of outstanding Claims	60,496,840	--	--	--	--	--	--	--	60,496,840
Prepaid expenses and other assets	1,707,515	275,027	--	--	--	--	--	89,310,913	91,293,455
Due from shareholders' operations	130,783,161	--	--	--	--	--	--	--	130,783,161
Deferred acquisition costs	49,202,268	9,415,721	3,280,573	1,370,198	639,222	1,341,993	3,333,147	25,565,325	94,148,447
Deferred excess of loss premiums	17,389,664	--	--	--	--	--	--	--	17,389,664
Property and equipment	5,455,845	--	--	--	--	--	--	--	5,455,845
Shareholders									
Cash and bank balances	5,185,954	26,731,321	--	--	--	--	--	--	31,917,275
Time deposits	118,849,000	--	--	--	--	--	--	--	118,849,000
Accrued special commission income from time deposits	540,411	--	--	--	--	--	--	--	540,411
Accrued special commission income from bonds and sukuk	2,178,195	42,290	--	--	--	--	--	--	2,220,485
Investments held at fair value through income statement	182,800,977	449,714,775	--	--	--	--	--	55,064,514	687,580,266
Held to maturity investments	--	--	--	--	--	--	--	--	--
Statutory deposit	107,592,394	--	--	--	--	--	--	--	107,592,394
Property and equipment	32,998,857	--	--	--	--	--	--	--	32,998,857
Prepaid expenses and other assets	405,990	--	--	--	--	--	--	--	405,990
	1,215,318,642	618,809,447	22,548,518	7,913,568	4,991,706	12,533,167	29,253,537	283,583,896	2,194,952,481

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

30. RISK MANAGEMENT (CONTINUED)

30.8 Currency risk (continued)

31 December 2014

	SR	USD	QAR	AED	EUR	KWD	INR	Other	Total
	SR	SR	SR	SR	SR	SR	SR	SR	SR
ASSETS									
Reinsurance operations									
Cash and bank balances	751,043	8,176	--	408,478	287,167	--	--	--	1,454,864
Time deposits	--	13,125,000	--	--	--	--	--	--	13,125,000
Premiums receivable	31,728,130	29,498,950	2,082,245	3,611,000	91,886	5,618,679	12,314,311	27,793,897	112,739,098
Investments held at fair value through income statement	59,958,865	64,952,872	--	--	--	--	--	--	124,911,737
Accrued insurance premiums	88,749,219	42,953,777	10,972,209	9,078,460	476,021	2,182,266	15,351,466	50,422,835	220,186,253
Retroceded share of outstanding Claims	105,139,646	--	--	--	--	--	--	--	105,139,646
Prepaid expenses and other assets	27,874,071	239,063	--	--	--	--	--	--	28,113,134
Due from shareholders' operations	188,019,813	--	--	--	--	--	--	--	188,019,813
Retroceded share of unearned Premiums	2,080,440	--	--	--	--	--	--	--	2,080,440
Deferred acquisition costs	32,405,565	10,390,448	2,339,997	1,265,509	182,170	977,368	4,383,253	11,568,271	63,512,581
Deferred excess of loss premiums	17,311,815	--	--	--	--	--	--	--	17,311,815
Property and equipment	6,269,040	--	--	--	--	--	--	--	6,269,040
Shareholders									
Cash and bank balances	26,157,074	410,656	--	--	--	--	--	--	26,567,730
Accrued special commission income from time deposits	70,035	--	--	--	--	--	--	--	70,035
Accrued special commission income from bonds and sukuk	1,532,215	2,171,551	--	--	--	--	--	--	3,703,766
Investments held at fair value through income statement	210,521,230	522,150,334	--	--	--	--	--	--	732,671,564
Held to maturity investments	--	145,470,427	--	--	--	--	--	--	145,470,427
Statutory deposit	100,000,000	--	--	--	--	--	--	--	100,000,000
Property and equipment	33,521,502	--	--	--	--	--	--	--	33,521,502
Prepaid expenses and other assets	7,100,713	--	--	--	--	--	--	--	7,100,713
	939,190,416	831,371,254	15,394,451	14,363,447	1,037,244	8,778,313	32,049,030	89,785,003	1,931,969,158

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

30. RISK MANAGEMENT (CONTINUED)

30.8 Currency risk (continued)

31 December 2015	SR	USD	QAR	AED	EUR	KWD	INR	Other	Total
	SR	SR	SR	SR	SR	SR	SR	SR	SR
LIABILITIES									
Reinsurance operations									
Accounts payable	5,651,413	5,432,092	(485,506)	(150,664)	198,516	937,872	230,036	(1,712,037)	10,101,722
Retrocession balances payable	14,927,181	--	--	--	--	--	--	--	14,927,181
Accrued retrocession premiums	354,467	--	--	--	--	--	--	--	354,467
Gross unearned premiums	340,852,780	32,687,850	14,986,449	5,726,881	2,134,807	6,331,495	19,992,234	80,285,776	502,998,272
Gross outstanding claims	449,537,734	46,838,940	12,068,307	11,451,030	923,935	24,987,358	42,833,845	85,478,588	674,119,737
Unearned commission income	1,806,605	--	--	--	--	--	--	--	1,806,605
Accrued expenses and other liabilities	3,841,639	55,000	--	--	--	--	--	288,573	4,185,212
Employees' end of service benefits	3,164,713	--	--	--	--	--	--	--	3,164,713
Surplus distribution payable	1,189,894	--	--	--	--	--	--	--	1,189,894
Shareholders									
Provision for zakat and income tax	39,418,724	--	--	--	--	--	--	--	39,418,724
Due to reinsurance operations	130,783,161	--	--	--	--	--	--	--	130,783,161
Accrued expenses and other liabilities	8,993,069	758,000	--	--	--	--	--	15,000	9,766,069
	1,000,521,380	85,771,882	26,569,250	17,027,247	3,257,258	32,256,725	63,056,115	164,355,900	1,392,815,757

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

30. RISK MANAGEMENT (CONTINUED)

30.8 Currency risk (continued)

31 December 2014	SR	USD	QAR	AED	EUR	KWD	INR	Other	Total
	SR	SR	SR	SR	SR	SR	SR	SR	SR
LIABILITIES									
Reinsurance operations									
Accounts payable	13,491,503	10,051,975	(1,506,344)	(347,691)	9,697	(278,644)	2,008,338	(811,178)	22,617,656
Retrocession balances payable	4,173,060	--	--	--	--	--	--	--	4,173,060
Accrued retrocession premiums	1,129,253	--	--	--	--	--	--	--	1,129,253
Gross unearned premiums	112,494,065	32,909,371	10,480,060	5,395,913	879,717	4,235,216	24,738,861	47,325,436	238,458,639
Gross outstanding claims	413,431,011	49,988,727	16,883,555	13,987,682	144,212	22,184,407	33,881,360	59,341,337	609,842,291
Premium deficiency reserve	--	--	--	--	--	--	--	--	--
Unearned commission income	749,782	--	--	--	--	--	--	--	749,782
Accrued expenses and other liabilities	1,509,975	969,687	--	--	--	--	--	--	2,479,662
Employees' end of service benefits	2,481,001	--	--	--	--	--	--	--	2,481,001
Surplus distribution payable	932,077	--	--	--	--	--	--	--	932,077
Shareholders									
Accounts payable	--	--	--	--	--	--	--	--	--
Provision for zakat and income tax	35,441,642	--	--	--	--	--	--	--	35,441,642
Due to reinsurance operations	188,019,813	--	--	--	--	--	--	--	188,019,813
Accrued expenses and other liabilities	8,219,064	--	--	--	--	--	--	--	8,219,064
	<u>782,072,246</u>	<u>93,919,760</u>	<u>25,857,271</u>	<u>19,035,904</u>	<u>1,033,626</u>	<u>26,140,979</u>	<u>60,628,559</u>	<u>105,855,595</u>	<u>1,114,543,940</u>

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

30. RISK MANAGEMENT (CONTINUED)

30.9 Special commission rate risk

The Company is exposed to special commission rate risk on its bonds and sukuk investments. Special Commission rate risk arises on bonds and sukuk which are exposed to the fluctuations in special commission rates.

The Company manages special commission rate risk by investing in various long and short duration financial assets, along with cash and cash equivalents. The investment committee monitors the duration of these assets on a regular basis. Duration of reinsurance operations and Shareholders operations' investments in bonds and sukuk portfolios as at 31 December 2015 is around 4.71 years and 5.25 years respectively (31 December 2014: 4.81 years and 5.3 year respectively). A hypothetical increase/decrease of 10 basis points in yield curve will entail decrease/increase in bond/sukuk portfolio values of reinsurance operations and Shareholders operations' investments by SR 0.24 million and SR 1.65 million as at 31 December 2015 (31 December 2014: SR 0.25 million SR 1.64 million respectively).

30.10 Market price risk

Market price risk is the risk that the fair value of a financial instrument will fluctuate caused by the factors (other than those arising from commission rate risk or currency risk), that affect all financial instruments traded in the market.

Efficient management of market price risk is key to the investment of company assets. Appropriate levels of investment risk is determined by risk/return profile of the assets. The Company has a diversified portfolio of investments, including investment in the listed equities securities. The Company manages the equity market price risk through diversification and by placing limits on individual and total equity instruments. A 5% change in the fair value of these investments, with all other variables held constant, would impact the statement of shareholders' operations by increase / decrease of SR 8,761,771 (2014: SR 9,288,915).

30.11 Capital management risk

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 Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares.

The table below summarizes the minimum regulatory capital of the Company and the total capital held:

	2015 SR	2014 SR
Total capital held	802,136,724	817,425,218
Minimum regulatory capital	200,000,000	200,000,000

In the opinion of the management, the Company has fully complied with the externally imposed capital requirements during the reported financial year.

30.12 Fair value of financial instruments

Financial instruments consist of financial assets and financial liabilities. Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. The Company's financial assets consist of cash and cash equivalents, receivables, investments and accrued income and its financial liabilities consist of payables, accrued expenses and gross outstanding claims. The fair values of financial assets and liabilities are not materially different from their carrying values at the statement of financial position.

31. CONTINGENCIES AND COMMITMENTS

a) Legal proceedings and regulations

The Company operates in the reinsurance 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) Bank Guarantees

As at 31 December 2015, the Company has deposited and pledged SR 47,250,000 (2014: Nil) with local bank to obtain the Standby Letter of Credit for its participation in a Lloyds Syndicate for 2015 and 2016 underwriting years. The Company also has deposited SR 42,034,793 (2014: SR 27,011,200) as recoverable deposit with Lloyds for its participation in a Lloyds Syndicate for 2015 and 2016 underwriting years. Upon issuance of the Standby Letter of Credit the deposit with Lloyds will be withdrawn. Further, the office premises related refundable deposit amounts to SR 103,750 (2014: SR 12,342).

32. COMPARATIVE FIGURES

Certain figures for the prior year have been reclassified to conform to the presentation made in the current year, however the impact of such reclassifications was not material to the overall presentation of the financial statements.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 14 Jumada I 1437H corresponding to 23 February 2016.