

Annual
Report
2015





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CHAIRMAN'S MESSAGE



On behalf of the board of directors of Saudi Re, I am pleased to present to the valued shareholders the annual report including the directors' report along with the audited financial statements and accompanying notes for the financial year ended 31 December 2015.

During the year 2015, the global and regional markets underwent a series of economic changes, driving structural transformation dynamics of these markets. Many factors, including geopolitical and security issues, decline in oil prices, change in interest rates, and euro zone crises contributed to this upheaval which we continue to witness even today. The reinsurance companies, by virtue of association, was also influenced by the aforesaid changes to a certain degree. The effect was particularly felt through the performance of financial markets resulting in lower yields on assets, whilst economic slowdown and instability in some regions caused the demand for insurance products to decline and the quality of risks that were offered for insurance to decline. Added to that the high availability of capital too exerted downward pressure on insurance premiums. In response to this softening market, the market witnessed a spate of merger and acquisition activities

where companies strive to form larger & stronger organisation to benefit from scale of operations and synergies of those alliances.

For the Saudi market, gross written premium has grown while underwriting results have also improved which can be attributed to the pricing and underwriting standards set by the Saudi Arabian Monetary Agency (SAMA). We welcomed the steps which were initiated by SAMA during 2015 to enhance the underwriting & risk management practices in the property sector and look forward to seeing positive outcome in the performance of this sector.

Saudi Re's performance in 2015 was largely emphasised by the 45% growth rate recorded resulting in more than SAR 800 million of gross written premiums. It is another key milestone in the growth of the company and establishing itself as a recognized reinsurance company. Despite the high level of competition, continuing on a steady growth path for the last 7 years signals the improvement of the competitive position of Saudi Re and the effectiveness of its expansion strategy. Diverse growth further helps in strengthening Saudi Re portfolio, improving the quality

of risks and mitigating the effect of large losses. As for the net results, in 2015 we have recorded SAR 106 thousands before zakat, compared to SAR 10.8 million in the previous year, which were affected by the investment performance. However, the underwriting results were improved in 2015 and registered SAR 1.4 million compared to a loss of SAR 11.9 million in the previous year. Saudi Re took various steps to better steer the underwriting practices in a number of lines of business and especially in the Fire sector which had a negative impact on our results in the previous years. These steps have led to containing the combined ratio closer to 100% in 2015.

The strong financial position remains a key competitive advantage for Saudi Re with total assets of the company having increased to SAR 2.2 billion in 2015 compared to SAR 1.9 billion in the previous year, while the technical reserves exceeded SAR 1 billion in 2015 compared to SAR 678 million in the previous year. The financial strength of the balance sheet has contributed to maintaining our rating of BBB+/Stable by Standard and Poor's.

To cope with the change in marketplace and in pursuit of our aspirations to further strengthen Saudi Re's regional foothold and seize profitable growth opportunities, Saudi Re is preparing itself for the next phase of development and currently reviewing various strategic options and defining its future targets. Finally, I would like to thank those who have contributed to the continued success of Saudi Re, including our shareholders, clients and business partners for their unwavering confidence in the company, as well as to all regulatory bodies, the board of directors, management and our employees.

Mr. Hesham Al-Sheikh
Chairman of The Board



BOARD OF DIRECTORS



Mr. Hesham Al Sheikh
Chairman of The Board



Mr. Mishari Al Mishari
Vice Chairman of The Board



Mr. Ahmad Al Sabbagh
Member of The Board



Mr. Ismail Mahbob
Member of The Board



Mr. Hammam Badr
Member of The Board



Mr. Mansour Al Busaily
Member of The Board



Mr. Jean-Luc Gourgeon
Member of The Board



Mr. Mahmoud J. Hassoubah
Member of The Board



Mr. Fahad Al Hensi
Managing Director-CEO



Middle East

**Gross Premium
USD 49,071
Millions
1.03% of world market**



DIRECTORS REPORT

**FOR THE FINANCIAL YEAR ENDING DEC 31 2015
FIRST: SIGNIFICANT PLANS, RESOLUTIONS,
OPERATING ACTIVITIES, PROSPECTS AND RISKS**

DIRECTORS REPORT

First: Significant Plans, Resolutions,
Operating activities, Prospects and Risks:

a. SIGNIFICANT BOARD RESOLUTIONS

- Approval of the business plan of the years 2016-2018.
- Reappointment of the membership in the board committees which included the audit committee, the nomination and remuneration committee, and the risk and underwriting committee following obtaining the regulatory approvals.
- Approval of the of the retrocession program for the years 2015-2016.
- Approval of renewing the participation in a selected syndicate reinsurance program in the Lloyd's market.

b. OPERATING ACTIVITIES

b.1. Marketing and Sales

In line with the growth strategy adopted by Saudi Re, a noticeable development has been achieved in growing the gross written premium in 2015 recording SAR 804 million compared to SAR 556 in 2014, resulting in 45% growth rate. As it strives to reinforce a rational balance in its book of business, Saudi Re was able to seize important growth opportunities in 2015 especially in the Saudi and Asian markets, which represented the highest growing geographic sectors in 2015. In addition, the motor line of business witnessed a strong growth amongst other business sectors.

Evidently, this continued progress Saudi Re business is an indication of the effectiveness of its marketing activities and client management approach. Despite the high level of competition, Saudi Re was successful not only retaining current clients but also acquiring new clients, who exceeded 250 clients in 2015 representing more than 40 countries across the Middle East, Asia and Africa. Furthermore, as part of its promotional activities, Saudi Re was engaged in numerous regional and international events, and also sponsored events such as the 3rd Saudi Insurance Symposium and the Conference of the Federation of AfroAsian Insurers and Reinsurers (FAIR).

b.2. Underwriting & Claims

Saudi Re has performed a review of its underwriting practices and pricing and risk selection processes in a number of sectors. This has contributed to improving the technical performance in the main lines of business including property, engineering and motor, and achieving an overall technical ratio of 92% in 2015 compared to 103% in 2014.

In 2015, efforts were dedicated to developing the technical reserving and claims provisioning mechanisms. Saudi Re worked on acquiring new actuarial tools and utilizing external technical expertise to help in broadening its technical capabilities. Furthermore, steps were taken to update underwriting

policies and procedures and analyze risks related to concentration, accumulation and catastrophe exposures, while actuarial studies were conducted to identify pricing factors pertaining to the motor and medical lines of business. Also, the retrocession program was renewed with wider geographical coverage to support the expansion plan. In general, Saudi Re maintains course on adopting a prudent underwriting policy that aims at developing a well-diversified portfolio and renders positive technical results.

b.3. Manpower and Training

Saudi Re considers the development of its human resources among its strategic priorities and strives to achieve the highest level of professionalism in service delivery to its clients and partners. Translating this into action, a number of initiatives were performed in 2015 including, conducting technical and administrative training programs, availing access to local and international technical development expertise, and providing incentives for employees to gain professional qualifications. As part of Saudi Re role in developing the local reinsurance industry, Saudi Re recorded a nationalization ratio of 51% of its workforce. Also, Saudi Re received the nationalization award offered by the Saudi Human Resources Development Fund.

b.4. Information Systems

During 2015, Saudi Re completed many key projects which aimed to enhance of information technology infrastructure, security and automation to enable the company providing the best services to clients. Among these projects was preparing for an upgrade of the core reinsurance business system. Saudi Re has also implemented a new modelling and reserving system which allowed the company to automatically calculating the incurred but not reported losses reserves (IBNR) in a timely manner. In addition, Saudi Re established the data center of its Labuan branch and linked it to the head office network successfully. Also, Saudi Re mail infrastructure has been upgraded and new security and high availability advancements have been incorporated.

b.5. General Developments

Saudi Re maintained its rating of BBB+ with a stable outlook in addition to obtaining gcAA+ Gulf Cooperation Council (GCC) regional scale rating with a stable outlook from Standard & Poor's.

c. BUSINESS PROSPECTS

The business plan for the years 2016/2018 was designed in line with the overall strategic approach adopted by Saudi Re which focuses on improving the competitive position of Saudi Re through the accurate identification and penetration of the high potential segments of the markets and the careful selection of risks to lead to achieving positive technical results while maintaining balance in the book of business.

DIRECTORS REPORT

First: Significant Plans, Resolutions, Operating activities, Prospects and Risks:

Moreover, Saudi Re plans to continue its efforts in building its technical capabilities with emphasis on underwriting, pricing, claims management, risk management, reserving and actuarial services. Saudi Re aims at capitalizing on its capabilities in growing the business profitably while maintaining a prudent underwriting policy.

The reinsurance business is subject to external factors which show prospects for continued stiff competition in the marketplace with indications of possible decline in the demand in markets witnessing economic slowdown or geopolitical issues. In addition, the performance of the financial markets may not experience rapid improvement in the near future which will reflect on the investment results of the company. On the regulatory front, the regulations issued by the Saudi Arabian Monetary Agency (SAMA) are expected to contribute to improving the underwriting practices in the Saudi insurance market which is considered the core market for Saudi Re and consequently this may lead to improving the performance levels of Saudi Re.

d. CURRENT AND FUTURE RISKS

The Board of Directors sets the overall risk appetite and ensures that appropriate risk governance is in place. Saudi Re manages its risks through Enterprise Risk Management system (ERM) which avails a set of processes for identifying, assessing and mitigating risks.

As per the external auditors note 30 of the financial statements, the company is exposed to risks relating to insurance, retrocession, claims management risks, reserving and ultimate reserves risks, special commission rate, credit, liquidity, currency, fund price, capital management, fair value of financial instruments, and regulatory framework.

The internal annual review of the risks in 2015 identified the following current and future risks:

Reinsurance Risk

Reinsurance risks include accumulation, concentration, catastrophe exposure, and increased frequency and severity of claims. It can be mitigated through the diversification of accepted risks, implementation of underwriting guidelines, and the use retrocession protection.

Retrocession Risk

It refers to the failure of retrocessionaires to fulfill their obligations including defaulting the claims payments due from them. Retrocession risk is controlled by a robust selection process that considers diversification of reinsurance sources as well as the financial position and credit rating of the reinsurers.

Claims Management Risk

Claims management risk may arise in mainly in the event of inaccurate or incomplete case reserves and claims settlements. A dedicated claims management department works within set policies and procedures to ensure that claims are managed in a fair, efficient and timely manner, in accordance with the policy's terms and conditions, the regulatory environment, and the business' broader interests.

Reserving and Ultimate Reserves Risk

Risk occurs where established insurance liabilities are insufficient. To manage reserving and ultimate reserves risk, the actuarial team uses a range of recognized techniques to project gross premiums written, monitor claims development patterns and stress-test ultimate insurance liability balances.

Credit Risk

This risk arises from the default of counterparties such as retrocessionaires, cedents, brokers and asset managers. This risk is controlled through a set of measures including selection process, financial position, legal status, etc. Also, it is controlled through establishing close relationships, continuous monitoring and follow up.

Liquidity Risk

It refers to the unavailability of funds required to meet the company financial obligations, and also loss due to the liquidation of investments. To limit the impact of this risk, the company periodically monitors the liquidity requirements and also adapts an investment policy that sets out controls to manage the liquidity risk.

Market Risk

Market risk refers to the likelihood of losses which could result from the operation of market forces and result in shrinkage in the capital. Market risk exposure for Saudi Re arises mainly from the change in economic situation, investment portfolio, Interest Rate Risk & Equity risk. Risks arising from the above are managed by the Investment Policy Statement that is approved by the Board.

Regulatory Compliance Risks

The company is required to be in compliance with legal and regulatory requirements for regulatory bodies like, Saudi Arabian Monetary Agency, Saudi Capital Market Authority and the Ministry of Commerce and Industry. The company applies a strict compliance policy and has in place a dedicated compliance department reporting to the Audit Committee.



Asia

**Gross Premium
USD 1,268,495
Millions
26.54% of world market**



DIRECTORS REPORT

**SECOND: OPERATING RESULTS AND
SIGNIFICANT DIFFERENCES**

DIRECTORS REPORT

Second: Operating Results and Significant Differences

a. STATEMENT OF FINANCIAL POSITION FOR THE PAST FIVE YEARS

	In Thousand Saudi Riyals				
	Dec 31 2015	Dec 31 2014	Dec 31 2013	Dec 31 2012	Dec 31 2011
REINSURANCE OPERATIONS ASSETS					
Cash and banks balances	61,026	1,455	5,269	583	8,294
Time deposits	35,218	13,125	-	-	-
Premiums receivable, net	195,142	112,739	70,493	27,608	19,127
Investments held at fair value through income statement	73,707	124,912	95,329	83,244	44,645
Accrued insurance premiums	440,824	220,186	164,869	91,901	53,148
Retroceded share of outstanding claims	60,497	105,140	104,888	42,123	86,634
Prepaid expenses and other assets	91,294	28,113	1,069	968	238
Due from shareholders' operations	130,783	188,020	173,316	6,385	14,018
Retroceded share of unearned premiums	7,363	2,080	2,344	5,755	24,836
Deferred acquisition costs	94,148	63,512	54,446	32,506	19,842
Deferred excess of loss premiums	17,390	17,312	15,717	11,593	10,316
Property and equipment, net	5,456	6,269	7,337	5,303	2,333
Total Reinsurance Operations Assets	1,212,848	882,863	695,077	307,969	283,431
SHAREHOLDERS' ASSETS					
Cash and banks balances	31,917	26,568	85,674	615	140,054
Time deposits	118,849	-	37,500	187,500	258,439
Accrued special commission income from time deposits	540	70	1,040	478	1,900
Accrued special commission income from bonds and Sukuk	2,221	3,704	3,295	3,280	2,987
Investments held at fair value through income statement	687,580	732,672	595,180	445,743	256,001
Held to maturity investments	-	145,470	173,995	209,047	209,792
Prepaid expenses and other assets	406	7,101	5,738	4,283	3,037
Statutory deposit	107,592	100,000	100,000	100,000	100,000
Property and equipment, net	32,999	33,521	32,992	29,784	-
Total Shareholders' Assets	982,104	1,049,106	1,035,414	980,730	972,210
Total Assets	2,194,952	1,931,969	1,730,491	1,288,699	1,255,641

DIRECTORS REPORT

Second: Operating Results and Significant Differences

	In Thousand Saudi Riyals				
	Dec 31 2015	Dec 31 2014	Dec 31 2013	Dec 31 2012	Dec 31 2011
REINSURANCE OPERATIONS LIABILITIES					
Accounts Payable	10,102	22,618	8,143	4,768	2,486
Retrocession balances payable	14,927	4,173	7,615	3,266	22,236
Accrued retroceded premiums	354	1,129	4,463	4,243	14,197
Gross unearned premiums	502,998	238,458	215,025	122,379	81,351
Gross outstanding claims	674,120	609,842	424,277	159,413	146,505
Premium Deficiency Reserve	-	-	26,167	-	-
Unearned commission income	1,807	750	811	1,581	6,926
Accrued expenses and other liabilities	4,185	2,480	5,923	10,025	8,791
Employees' end of service benefits	3,165	2,481	1,721	1,362	939
Surplus distribution payable	1,190	932	932	932	-
Total Reinsurance Operations Liabilities	1,212,848	882,863	695,077	307,969	283,431
Shareholders' Liabilities And Equity					
SHAREHOLDERS' LIABILITIES					
Accounts Payable	-	-	500	1,000	-
Provision for zakat and income tax	39,419	35,442	33,185	30,087	25,163
Due to reinsurance operations	130,783	188,020	173,316	6,385	14,018
Other liabilities	9,766	8,219	6,641	4,283	3,037
Total Shareholders' Liabilities	179,968	231,681	213,642	41,755	42,218
SHAREHOLDERS' EQUITY					
Share capital	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Statutory reserve	6,071	6,071	6,071	6,071	6,071
Accumulated deficit	(203,935)	(188,646)	(184,299)	(67,095)	(76,079)
Total Shareholders' Equity	802,136	817,425	821,772	938,976	929,992
Total Shareholders' Liabilities And Equity	982,104	1,049,106	1,035,414	980,731	972,210
Total Reinsurance Operations Liabilities, Shareholders' Liabilities and Equity	2,194,952	1,931,969	1,730,491	1,288,700	1,255,641

DIRECTORS REPORT

Second: Operating Results and Significant Differences

b. RESULTS OF OPERATIONS FOR THE PAST FIVE YEARS

	In Thousand Saudi Riyals				
	Dec 31 2015	Dec 31 2014	Dec 31 2013	Dec 31 2012	Dec 31 2011
Gross premiums written	804,826	556,290	420,086	245,032	159,609
Retroceded premiums	(12,177)	(6,101)	(6,449)	(3,319)	(55,085)
Excess of loss expenses	(37,857)	(35,595)	(27,817)	(22,427)	(12,990)
Net premiums written	754,792	514,594	385,820	219,286	91,534
Change in net unearned premium	(259,257)	(23,697)	(96,057)	(60,110)	(36,648)
Net premiums earned	495,535	490,897	289,763	159,176	54,886
Net claims incurred	(339,483)	(401,011)	(300,257)	(92,238)	(58,452)
Premium deficiency reserve	-	26,167	(26,167)	-	-
Gross acquisition costs	(114,533)	(103,811)	(83,330)	(49,786)	(34,108)
Supervision & Inspection fees	(4,024)	(2,781)	(2,100)	(1,225)	(952)
Commissions on retroceded business	2,774	1,948	3,437	6,123	19,591
Net acquisition costs	(115,783)	(104,644)	(81,993)	(44,888)	(15,469)
Surplus / (deficit) from reinsurance operations	40,269	11,409	(118,654)	22,050	(19,035)
Special commission income from deposits	202	70	-	-	-
Realized (losses) / gains on investments held at fair value through income statement	(73)	226	39	48	-
Unrealized gains on investments held at fair value through income statement	1,325	2,431	658	637	303
Other Income	216	59	102	4,160	-
Investment management expenses	(315)	(240)	(191)	(37)	-
General and administrative expenses	(36,545)	(23,061)	(21,036)	(17,279)	(18,204)
Foreign exchange losses	(2,501)	(291)	(522)	(258)	(147)
Net Surplus / (deficit) from reinsurance operations	2,578	(9,397)	(139,604)	9,321	(37,083)
Shareholders appropriation from reinsurance operations (surplus)/deficit	(2,320)	9,397	139,604	(8,389)	37,083
Reinsurance operations surplus after Shareholders appropriation	258	-	-	932	-
Accumulated surplus at beginning of the year	932	932	932	-	-
Accumulated surplus at the end of the year	1,190	932	932	932	-

DIRECTORS REPORT

Second: Operating Results and Significant Differences

	In Thousand Saudi Riyals				
	Dec 31 2015	Dec 31 2014	Dec 31 2013	Dec 31 2012	Dec 31 2011
Shareholders Operations					
Investment Revenues	7,795	40,120	54,781	32,658	21,891
Other Income	3	248	-	2,250	-
Foreign exchange translation (losses) / gains	(91)	(550)	1,124	103	(614)
General and administrative expenses	(5,272)	(14,947)	(13,309)	(11,279)	(17,917)
Investment management expenses	(3,001)	(3,077)	(2,311)	(1,841)	(298)
Board of directors' remunerations, meeting fees and expenses	(1,648)	(1,558)	(335)	(1,327)	(284)
Shareholders appropriation from reinsurance operations Surplus / (deficit)	2,320	(9,397)	(139,604)	8,389	(37,083)
Net Income / (loss) for the year	106	10,839	(99,654)	28,953	(34,305)

DIRECTORS REPORT

Second: Operating Results and Significant Differences

	In Thousand Saudi Riyals			
	Dec 31 2015	Dec 31 2014	Varinace + or (-)	Change %
Gross premiums written	804,826	556,290	248,536	45%
Retroceded premiums	(12,177)	(6,101)	(6,076)	100%
Excess of loss expenses	(37,857)	(35,595)	(2,262)	6%
Net premiums written	754,792	514,594	240,198	47%
Change in net unearned premium	(259,257)	(23,697)	(235,560)	994%
Net premiums earned	495,535	490,897	4,638	1%
Net claims incurred	(339,483)	(401,011)	61,528	-15%
Premium deficiency reserve	-	26,167	(26,167)	100%
Gross acquisition costs	(114,533)	(103,811)	(10,722)	10%
Supervision & Inspection fees	(4,024)	(2,781)	(1,243)	45%
Commissions in retroceded business	2,774	1,948	826	42%
Net acquisition costs	(115,783)	(104,644)	(11,139)	11%
Surplus from reinsurance operations	40,269	11,409	28,860	253%
Special commission income form time deposits	202	70	132	189%
Realized (losses) / gains on investments held at fair value through income statement	(73)	226	(299)	-132%
Unrealized gains on investments held at fair value through income statement	1,325	2,431	(1,106)	-45%
Other Income	216	59	157	266%
Investment management expenses	(315)	(240)	(75)	31%
General and administrative expenses	(36,545)	(23,061)	(13,484)	58%
Foreign exchange losses	(2,501)	(291)	(2,210)	759%
Net surplus/(deficit) from reinsurance operations results	2,578	(9,397)	11,975	-127%
Shareholders appropriation from reinsurance operations (surplus)/deficit	(2,320)	9,397	(11,717)	-125%
Reinsurance operations surplus after Shareholders appropriation	258	-	258	258%
Accumulated surplus at beginning of the year	932	932	-	0%
Accumulated surplus at end of the year	1,190	932	258	28%

DIRECTORS REPORT

Second: Operating Results and Significant Differences

c. MAIN LINES OF BUSINESS AND RESULTS

Saudi Re conducts business on facultative and treaty reinsurance basis in Saudi Arabia, MENA countries Asia and Africa with its head office in Riyadh, Saudi Arabia and its branch in Labuan, Malaysia. The company comprises business units based on its services and products as detailed in the following table:

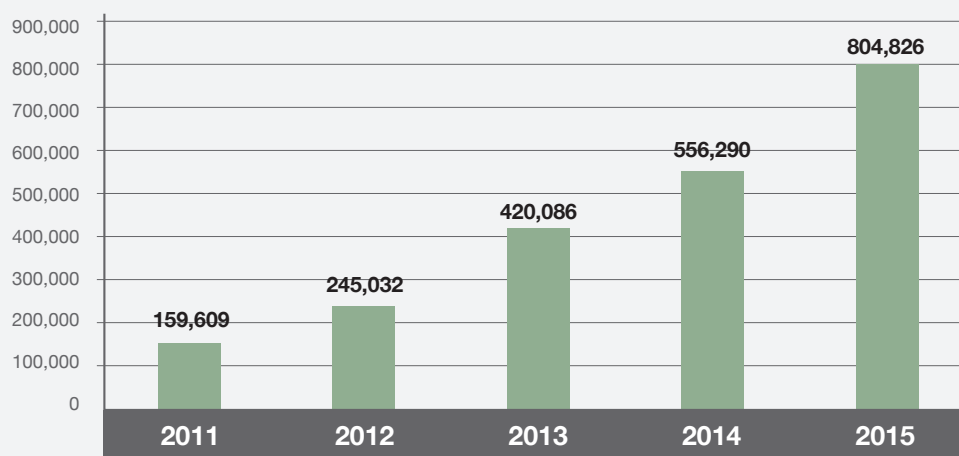
	In Thousand Saudi Riyals 2015								
	Engineering	Fire	Marine	Motor	General Accident	Life	Specialty	Others	Total
Gross premiums written	83,385	159,617	54,196	330,907	38,921	42,681	44,880	50,239	804,826
Retroceded premiums	(6,266)	(2,857)	(618)	(4)	(1,749)	(365)	-	(318)	(12,177)
Excess of loss expenses	(8,147)	(24,308)	(1,108)	(2)	(700)	(1,720)	-	(1,872)	(37,857)
Net premiums written	68,972	132,452	52,470	330,901	36,472	40,596	44,880	48,049	754,792
Change in net unearned premium	(5,303)	(6,162)	(102)	(215,275)	(3,282)	6,521	(29,920)	(5,734)	(259,257)
Net premiums earned	63,669	126,290	52,368	115,626	33,190	47,117	14,960	42,315	495,535
Net claims incurred	(33,757)	(79,364)	(18,522)	(83,658)	(16,490)	(79,836)	(8,527)	(19,329)	(339,483)
Gross acquisition costs	(23,553)	(39,134)	(19,432)	(10,400)	(11,847)	366	(7,117)	(3,416)	(114,533)
Supervision & Inspection fees	(417)	(798)	(271)	(1,655)	(195)	(213)	(224)	(251)	(4,024)
Commissions in retroceded business	1,474	280	569	1	314	46	-	90	2,774
Net Acquisition costs	(22,496)	(39,652)	(19,134)	(12,054)	(11,728)	199	(7,341)	(3,577)	(115,783)
Net underwriting results	7,416	7,274	14,712	19,914	4,972	(32,520)	(908)	19,409	40,269

DIRECTORS REPORT

Second: Operating Results and Significant Differences

d. WRITTEN PREMIUMS AND GEOGRAPHIC ANALYSIS

Gross written premiums written rose by 45% in 2015 to SR 804,826 thousand from SR 556,290 thousand in 2014. This increase is attributed to marketing and sales activities in the local markets, Asian and African markets, and also in other countries in the Middle East in 2015. The following graph indicates the gross premiums written during the period 2011-2015 (in thousand Saudi Riyals).

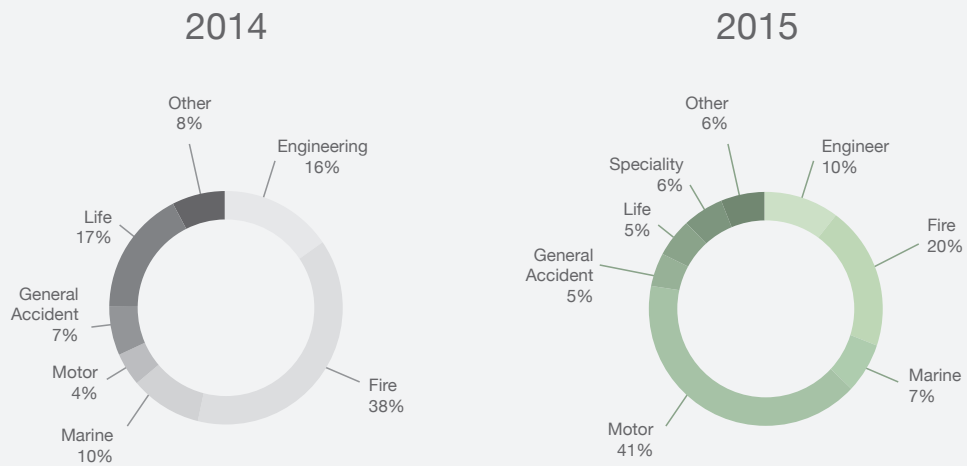


Gross Premium

The following table displays the distribution of written premiums over major business segments:

Segment	2015	2014	Variance	Change %
Engineering	83,385	87,406	(4,021)	-5%
Fire	159,617	212,311	(52,694)	-25%
Marine	54,196	55,227	(1,031)	-2%
Motor	330,907	24,981	305,926	1225%
General Accidents	38,921	37,436	1,485	4%
Life	42,681	97,019	(54,338)	-56%
Specialty	44,880	-	44,880	100%
Others	50,239	41,910	8,329	20%
Total	804,826	556,290	248,536	45%

Gross Written Premiums



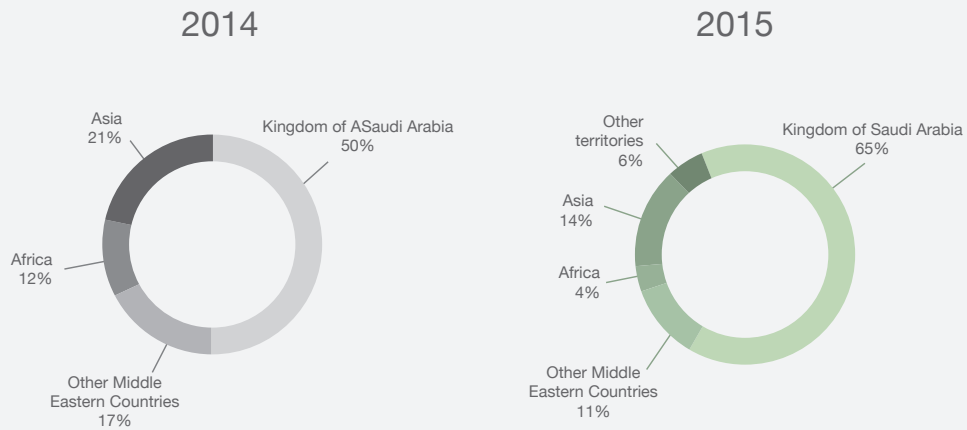
Geographical analysis of gross premiums written, (In thousand Saudi Riyals).

Geographical segment	2015		2014	
	%	GWP	%	GWP
Kingdom of Saudi Arabia	65%	519,345	50%	278,818
Other Middle Eastern Countries	11%	89,984	17%	94,954
Africa	4%	28,450	12%	63,884
Asia	14%	122,167	21%	118,634
Other territories	6%	44,880	0%	-
Total	100%	804,826	100%	556,290

DIRECTORS REPORT

Second: Operating Results and Significant Differences

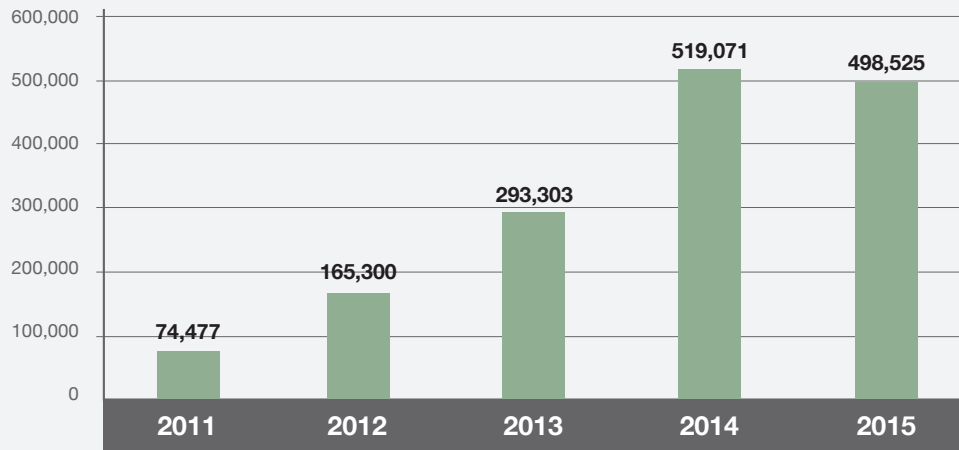
Geographical Analysis of Gross Written Premiums



e. TOTAL UNDERWRITING REVENUES

Total underwriting revenue decreased by 4% to SR 498,525 thousand in 2015 from SR 519,071 thousand in 2014 main contribution to this was the decrease in change net premium deficiency reserve .

The following diagram shows the total revenues from 2011-2015 (in thousand Saudi Riyals).



Total Underwriting

DIRECTORS REPORT

Second: Operating Results and Significant Differences

Following the details of underwriting revenues (In thousand Saudi Riyals).

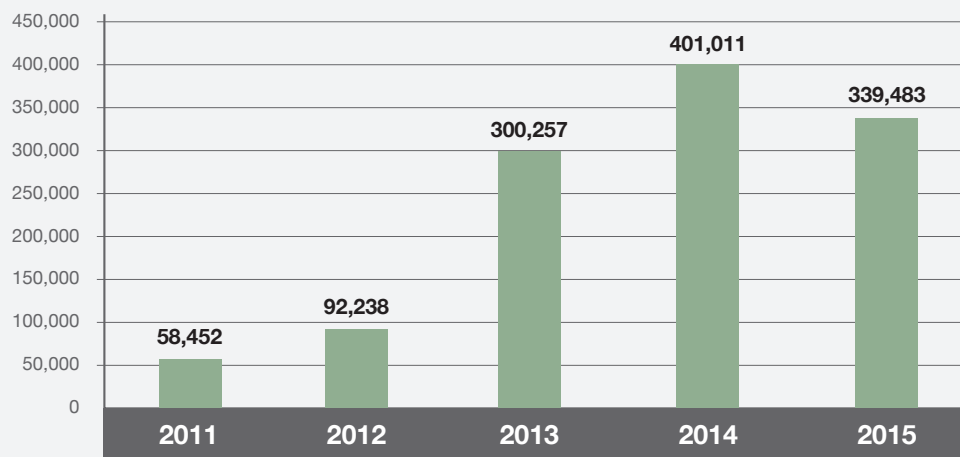
Revenues	2015	2014	Variance	Change %
Net earned premiums	495,535	490,897	4,638	1%
Change in premium deficiency reserve	-	26,167	(26,167)	-100%
Commission in retroceded business	2,774	1,948	826	42%
HRDF Reward	216	59	157	266%
Total	498,525	519,071	(20,546)	-4%

Geographical analysis of underwriting revenues (In thousand Saudi Riyals).

Revenues	2015	2014
Within Kingdom of Saudi Arabia	262,508	260,770
Outside Kingdom Of Saudi Arabia	236,017	258,301
Total	498,525	519,071

f. NET INCURRED CLAIMS

The net claims incurred after deduction of reinsurers share decreased by 15% to SR 339,483 thousand in 2015 from SR 401,011 thousand in 2014.



Net Incurred Claims

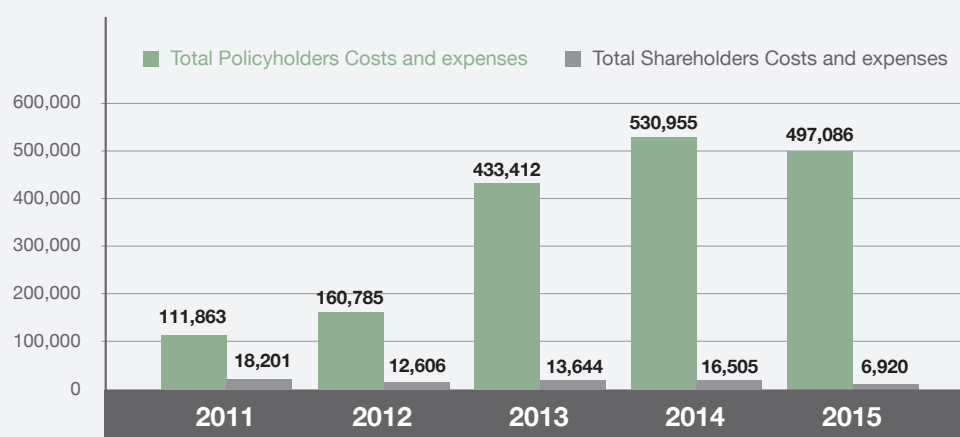
DIRECTORS REPORT

Second: Operating Results and Significant Differences

g. TOTAL COSTS AND EXPENSES

Total costs and expenses for policyholders' operations decreased by 6% to SR 497,086 thousand in 2015 from SR 530,955 thousand in 2014 due mainly to the decrease in net incurred claims as mentioned in (f) above. While the total costs and expenses for shareholders' operations decreased by 58% to SR 6,920 thousand in 2015 from SR 16,505 thousand in 2014.

Following the details of costs and expenses for policyholders' operations (In Thousand Saudi Riyals)



Total Costs and Expenses

Following the details of costs and expenses for policyholders' operations (In Thousand Saudi Riyals)

Policyholders operations costs and expenses	2015	2014	Variance	Change %
Net claims incurred	339,483	401,011	(61,528)	-15%
Gross acquisition cost	114,533	103,811	10,722	10%
Supervision and inspection fees	4,024	2,781	1,243	45%
General and administrative expenses	36,545	23,061	13,484	58%
Foreign exchange losses	2,501	291	2,210	759%
Total	497,086	530,955	(33,869)	-6%

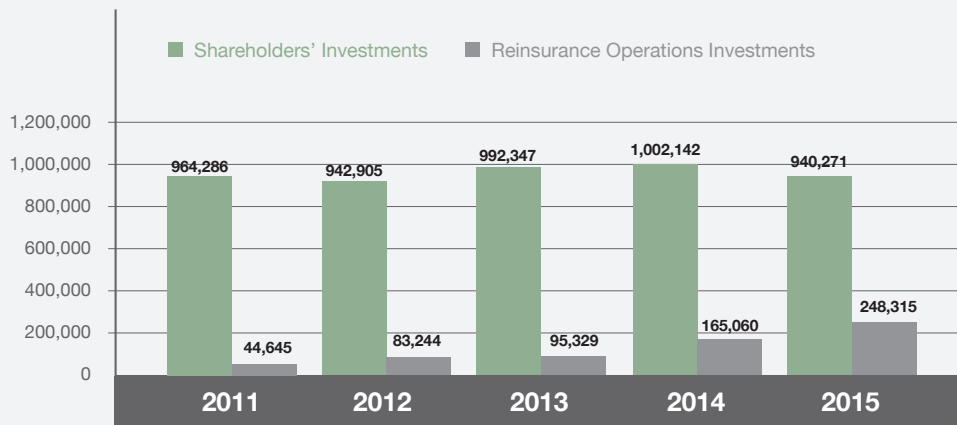
Following the details of costs and expenses for shareholders' operations (In Thousand Saudi Riyals)

Shareholders operations costs and expenses	2015	2014	Variance	Change %
General and administrative expenses	5,272	14,947	(9,675)	-65%
Board of directors remunerations, meeting fees and expenses	1,648	1,558	90	6%
Total	6,920	16,505	(9,585)	-58%

h. TOTAL INVESTMENTS

Total shareholders' investments were SR 940,271 thousand in 2015 as compared with SR 1,002,142 thousand in 2014, lower by 6%. The total reinsurance operations investments were SR 248,315 thousands in 2015 compared with SR 165,060 thousands in 2014, increasing by 50%.

The following figure shows total investments during the period 2011-2015(in thousand Saudi Riyals).

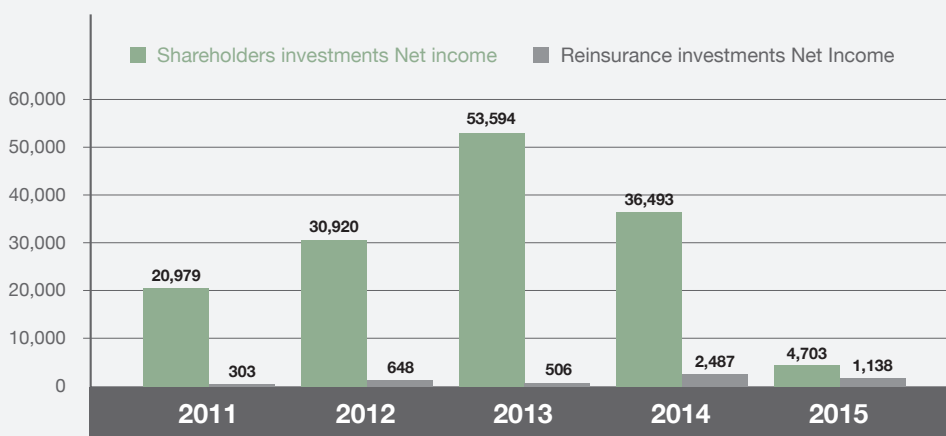


Total Investments

i. NET INVESTMENTS INCOME

The net Income generated from investments of reinsurance funds, net of investment management expenses were SR 1,138 thousand in 2015 as compared with SR 2,487 thousand in 2014, decreased by 54%. As such as the net income generated from shareholders' fund investments, net of investment management expenses was SR 4,703 thousand in 2015 as compared with SR 36,493 thousand in 2014, decreased by 87%.

The following figure shows the investments net income during 2011-2015 (in thousand Saudi Riyals).



Net Investments Income

DIRECTORS REPORT

Second: Operating Results and Significant Differences

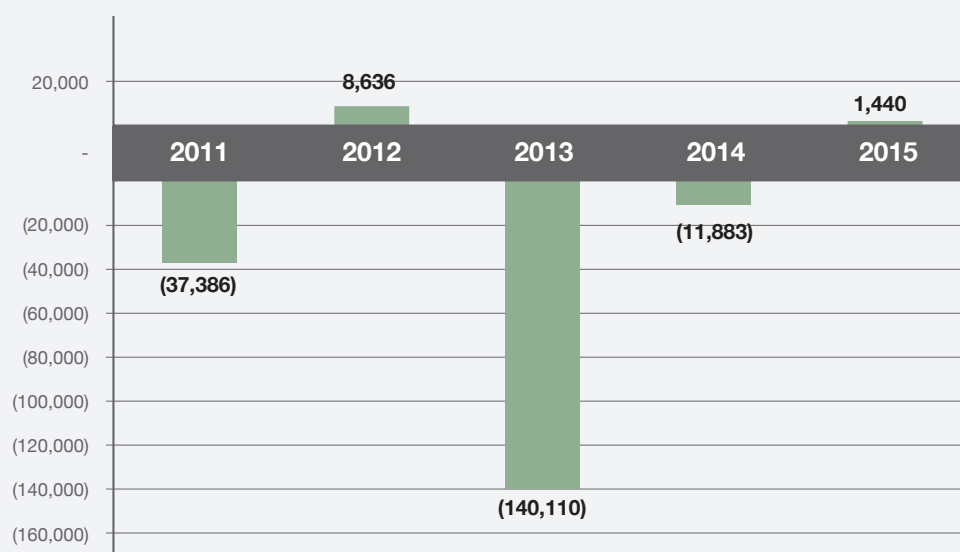
Geographical analysis of Net investments (in thousand Saudi Riyals).

Geographical segment	2015		2014	
	Reinsurance investments net income	Shareholders investments net income	Reinsurance investments net income	Shareholders investments net income
Within the Kingdom of Saudi Arabia	598	(6,465)	735	11,822
Outside the Kingdom of Saudi Arabia	540	11,168	1,752	24,671
Total	1,138	4,703	2,487	36,493

j. SURPLUS (DEFICIT) FROM REINSURANCE OPERATIONS

Reinsurance operations before investment returns posted a surplus of SR 1,440 thousand during 2015 as compared with a deficit of SR 11,883 thousand in 2014. This deficit is transferred to the Statement of Shareholders' Operations.

The following figure shows the (deficit/surplus) in reinsurance operations during 2011-2015 (in thousand Saudi Riyals).



Surplus / (Deficit) in Reinsurance Operations

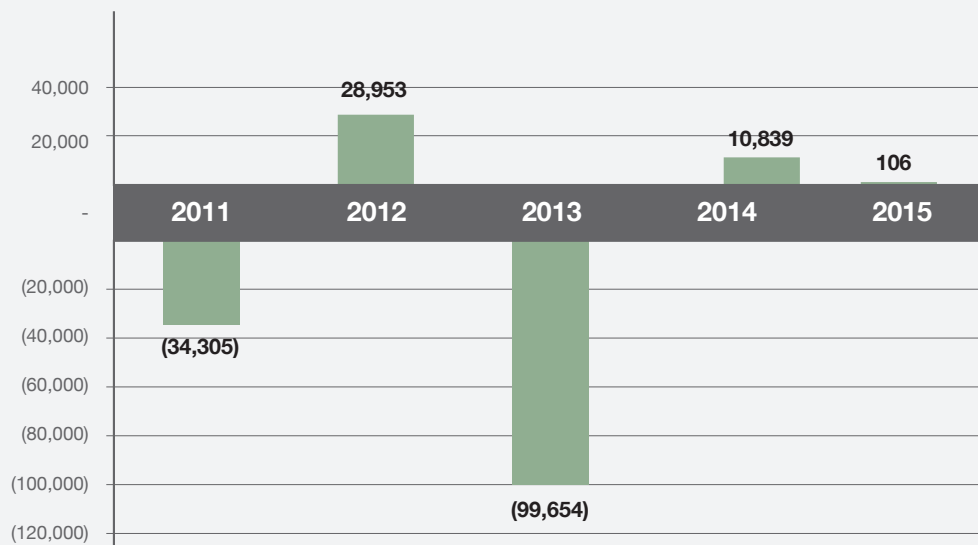
DIRECTORS REPORT

Second: Operating Results and Significant Differences

k. NET INCOME / (LOSS) FROM SHAREHOLDERS' OPERATIONS

Shareholders' operations recorded a net income of SR 106 thousand in 2015 as compared with a net income of SR 10,839 thousand in 2014, decreased by 99%. This is attributed to the decrease in income is mainly due to decrease in shareholders investments net income by 87%.

The following diagram indicates total net income from shareholders operations during the period 2011-2015 (in thousand Saudi Riyals).



Net Income / (Loss) from Shareholders' Operations

Statement of Shareholders Operations during the Period 2011-2015 (in thousand Saudi Riyals).

In Thousand Saudi Riyals	2015	2014	2013	2012	2011
Investment Revenues	7,795	40,120	54,781	32,658	21,891
Other Income	3	248	-	2,250	-
Foreign exchange translation (losses) / gains	(91)	(550)	1,124	103	(614)
General and administrative expenses	(5,272)	(14,947)	(13,309)	(11,279)	(17,917)
Investment Management expenses	(3,001)	(3,077)	(2,311)	(1,841)	(298)
Board of directors' remunerations, meeting fees and expenses	(1,648)	(1,558)	(335)	(1,327)	(284)
Shareholders appropriation from reinsurance operations Surplus/(deficit)	2,320	(9,397)	(139,604)	8,389	(37,083)
Net Income/(Loss) for the year	106	10,839	(99,654)	28,953	(34,305)

DIRECTORS REPORT

Second: Operating Results and Significant Differences

I. TOTAL COMPREHENSIVE INCOME/(DEFICIT)

Total comprehensive income was SR 106 thousand in 2015 as compared with an income SR 10,839 thousand in 2014. Decreased by 99%.

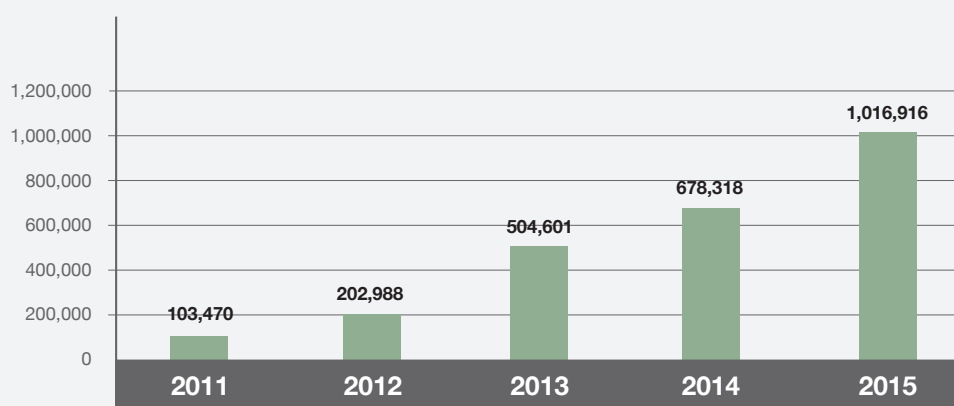
Statement of Shareholders Comprehensive Operations during the Period 2011-2015

In Thousand Saudi Riyals	2015	2014	2013	2012	2011
Net income / (loss) for the year	106	10,839	(99,654)	28,953	(34,305)
Total comprehensive income / (Loss) for the year	106	10,839	(99,654)	28,953	(34,305)

m. TECHNICAL RESERVES

Technical reserves increased by 50% to SR 1,016,916 thousand in 2015 from SR 678,318 thousand in 2014.

The following diagram depicts the technical reserves during the period 2011-2015 (in thousand Saudi Riyals).

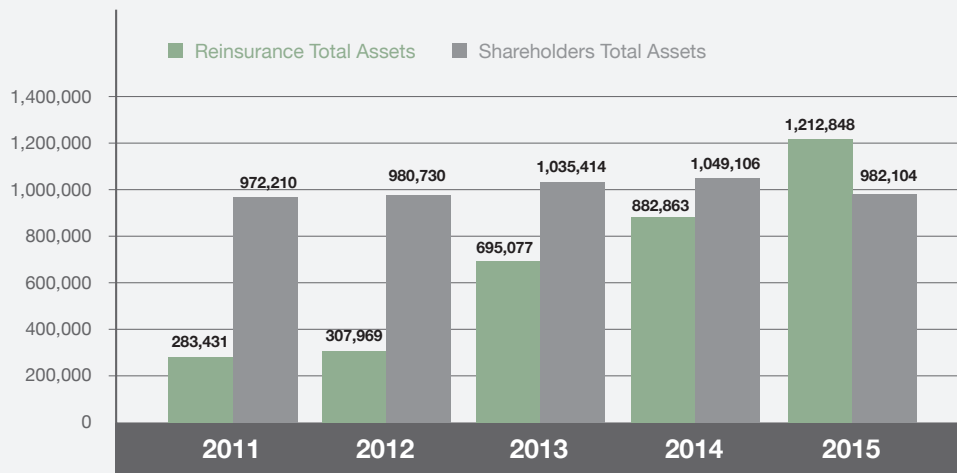


Technical Reserves

n. ASSETS

Assets increased by 14% to SR 2,194,952 thousand in 2015 from SR 1,931,969 thousand in 2014. Reinsurance operation assets totaled to SR 1,212,848 thousand in 2015 as against SR 882,863 thousand in 2014, and total shareholders assets were SR 982,104 thousand in 2015 as compared with SR 1,049,106 thousand in 2014.

The following diagram depicts assets during the period 2011-2015(in thousand Saudi Riyals).



Assets

o. SUBSIDIARIES AND INVESTMENT ACTIVITIES IN THEM

The company does not have any subsidiaries inside or outside the Kingdom of Saudi Arabia.

p. DIVIDEND POLICY

Since the Company did not make any profits after zakat and income tax this year, the Company will not pay dividends. The Company dividends policy aims to achieve suitable returns to the Company's shareholders in one or more of the following:

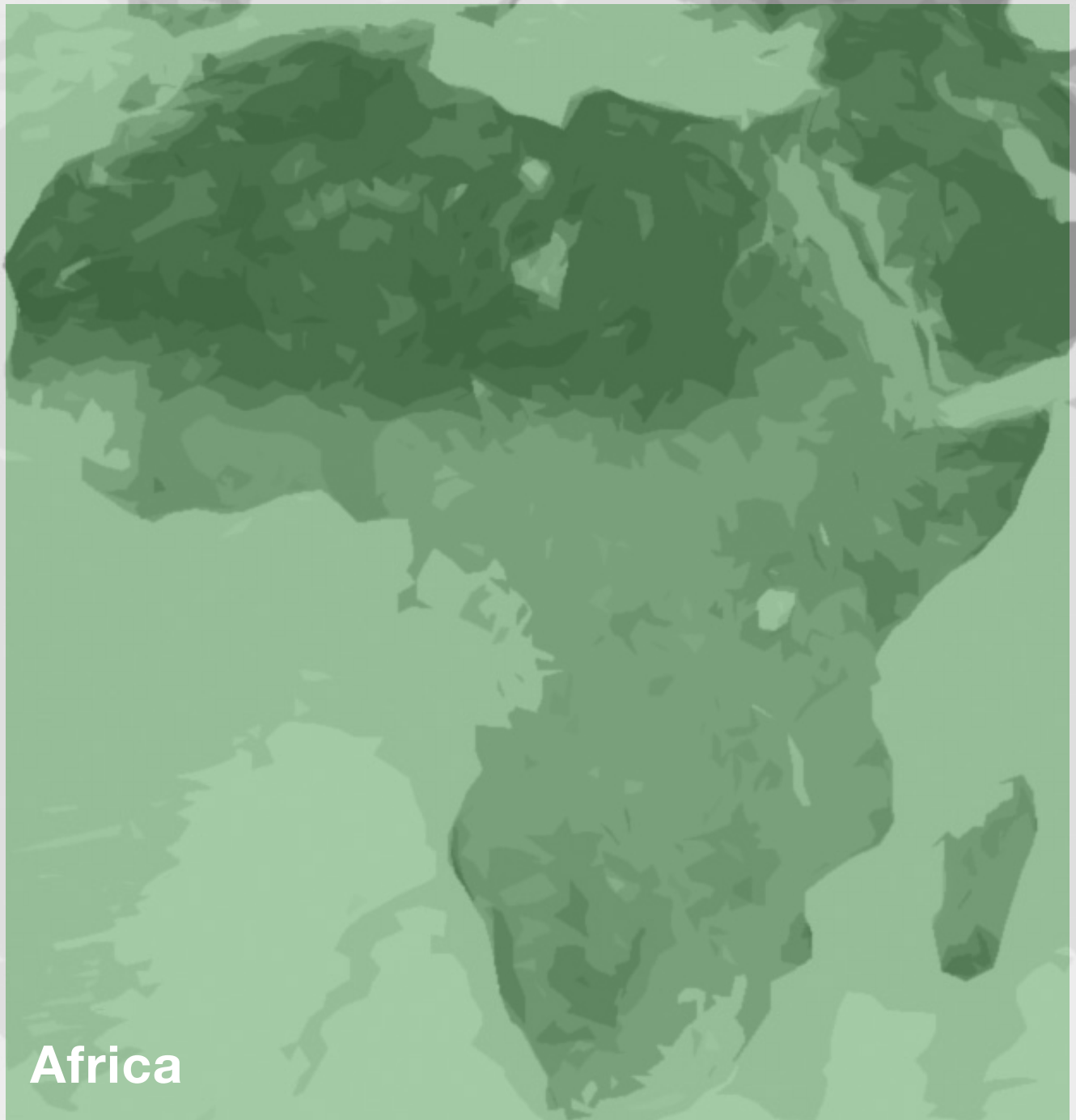
1. Distribution of cash dividends to the shareholders taking into consideration the financial position of the company, solvency margin requirements, available credit lines and the general economic situation.
2. Stock dividends taking into consideration the requirements and conditions related to retained earnings and other stock holder's equity in the balance sheet.
3. Shareholders who are registered at the end of trading on day of the General Assembly at which dividend preeminence is approved will be entitled for the dividends.
4. Dividends will be paid in accordance with the dates specified by the Board of Directors.

As per the Company's Article of Association, Dividends will be paid based on a General Resolution on the following steps:

1. Zakat and Income tax will be set aside.
2. 20% of the net profits are set aside to for statutory reserve. The General Assembly may stop allocation to the Statutory Reserve once the reserve is equal to the capital.
3. Subject to General Assembly resolution, the Company may allocate a percentage of the net profit to create an additional reserve to support the financial position of the company.
4. 5% of the remaining profits will be distributed to shareholder as a first payment.
5. The remaining profits will be distributed to the shareholders as Dividends or it may be transferred to the retained earnings.
6. The Board of Directors may decide to pay interim dividends that will be deducted from the annual dividends specified in 4 above in accordance with applicable rules issued by the concerned regulators.

NOTE:

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.



Africa

**Gross Premium
USD 68,974
Millions
1.44% of world market**



DIRECTORS REPORT

**THIRD: OBLIGATIONS, DISCLOSURES
AND DECLARATIONS ACCORDING
TO THE REGULATIONS**

DIRECTORS REPORT

Third: Obligations, Disclosures and
Declarations According To The Regulations

a. COMPLIANCE WITH RULES AND REGULATIONS

In general, the Company complied in 2015 with the laws and regulations applicable in Saudi Arabia. These include:

- Laws and regulations issued by Capital Market Authority.
- Laws and regulations issued by Saudi Arabian Monetary Agency.
- Zakat and Income Tax Regulations issued by Zakat and Income Tax Department.
- Labor Law issued by the Ministry of Labor.
- Company Law issued by Ministry of Commerce and Industry.

b. COMPLIANCE WITH CORPORATE GOVERNANCE REGULATIONS

During 2015, the Company was in compliance with stipulations indicated in the Corporate Governance Regulations except for the following:

Article	Article Description	Reasons
6 - b	"In voting in the General Assembly for the nomination to the board members, the accumulative voting method shall be applied."	The Company did not adopt the accumulative voting method as the regulatory approvals were not received.
6 - d	"Investors who are judicial persons and who act on behalf of others - e.g. investment funds- shall disclose in their annual reports their voting policies, actual voting, and ways of dealing with any material conflict of interests that may affect the practice of the fundamental rights in relation to their investments."	This article does not apply to the company.
12 - i	"Judicial person who is entitled under the company's Articles of Association to appoint representatives in the Board of Directors, is not entitled to nomination vote of other members of the Board of Directors."	This article does not apply to the company.

c. COMPOSITION OF THE BOARD OF DIRECTORS, DIRECTOR CATEGORIES AND MEMBERSHIPS IN BOARDS OF OTHER JOINT STOCK COMPANIES FOR EACH DIRECTOR

Category	Term	Name	Other Joint Stock Companies of which the Directors are Board Members
Non-Executive Director	From 11/05/2014	Mr. Hesham AL-Shaikh Chairman of the Board of Directors	Ashmore Investment Saudi Arabia
	From 11/05/2014	Mr. Mishari AL-Meshari Vice Chairman	Saudi Investment Bank
Independent Directors	From 11/05/2014	Mr. Ahmad Sabbagh	Islamic Insurance Company (Jordan) AlAman Takaful S.A.L (Lebanon)
	From 11/05/2014	Mr. Jean-Luc Gourgeon	
	From 11/05/2014	Mr. Hammam Badr	Isakan Insurance Company (Egypt)
	From 11/05/2014	Mr. Mansour Al-Bosaily	Saudi Ground Services Company Amlak International HSBC - KSA
	From 11/05/2014	Mr. Ismail Mahbob	
Executive Director	From 11/05/2014	Mr. Mahmoud J Hassoubah	
	From 11/05/2014	Mr. Fahad Al-Hesni	

DIRECTORS REPORT

Third: Obligations, Disclosures and
Declarations According To The Regulations

d. ATTENDANCE RECORD OF BOARD MEETINGS DURING 2015

Member	1st Meeting 15/02/2015	2nd Meeting 12/04/2015	3rd Meeting 12/07/2015	4th Meeting 11/10/2015	5th Meeting 13/12/2015	Total
Mr. Hesham Al-shaikh	attended	did not attend	attended	attended	attended	4
Mr. Mishari Al-Mishari	attended	attended	attended	attended	attended	5
Mr. Ahmad Sabbagh	attended	attended	attended	attended	attended	5
Mr. Jean-Luc Gourgeon	attended	attended	attended	attended	attended	5
Mr. Hammam Badr	attended	attended	did not attend	attended	attended	4
Mr. Mansour Al-Bosaily	attended	attended	attended	attended	attended	5
Mr. Ismail Mahbob	attended	attended	attended	attended	did not attend	4
Mr. Mahomoud J Hassoubah	attended	attended	did not attend	attended	attended	4
Mr. Fahad Al-Hesni	attended	attended	attended	attended	attended	5

e. BOARD COMMITTEES

e.1. Executive Committee

Committee Duties & Functions	Members	Total meetings attended in 2015
Executive Committee provides recommendations to the board with regard to different subjects such as strategic and business plans. The board may delegate its authorities and responsibilities to the Executive Committee.	Mr. Hesham Al Shaikh	Chairman
	Mr. Fahad Al Hesni	Member
	Mr. Jean-Luc Gourgeon	Member
	Mr. Mansour Al Bosaily	Member
	Mr. Hammam Badr	Member
		5

e.2. Audit Committee

Committee Duties & Functions	Members	Total meetings attended in 2015
The Audit Committee implements the board's recommendations with regard to supervision of financial reports and assessment of adequacy of internal and external audit processes. The Audit Committee assesses and oversees compliance management processes and internal controls of the company.	Mr. Ahmad Sabbagh	Chairman
	Mr. Naiem Fakhri	External Member
	Mr. Ali Al Qahtani	External Member
		6

DIRECTORS REPORT

Third: Obligations, Disclosures and
Declarations According To The Regulations

e.3. Nomination and Remuneration Committee

Committee Duties & Functions	Members	Total meetings attended in 2015
Nomination and Remuneration Committee assumes several responsibilities including recommending to the board of nominees for membership based on adopted policies and criteria, annual review of board membership requirement, examining the board structure and recommending the proposed changes, ensuring independence of board members and non-existence of conflict of interests, setting up clear policies for compensation of board members and senior executives.	Mr. Mishari Al-Mishari	Chairman
	Mr. Mansour Al Bosaily	Member
	Mr. Hammam Badr	Member
		5

e.4. Investment Committee

Committee Duties & Functions	Members	Total meetings attended in 2015
Investment Committee is responsible for overseeing the management of investment portfolio of the company, and design, establishment and execution of the investment policies.	Mr. Hesham Al Shaikh	Chairman
	Mr. Fahad Al Hesni	Member
	Mr. Mishari I. Mishari	Member
	Mr. Mahmoud J. Hassoubah	Member
		6

e.5. Risk and Underwriting Committee

Committee Duties & Functions	Members	Total meetings attended in 2015
The Risk and Underwriting Committee oversees the risk management and underwriting activities of the Company on behalf of the Board. Key responsibilities include designing the risk management strategy in consistence with the company's commitments to shareholders and regulatory requirements, approving underwriting policies and guidelines, as well as defining the company's risk tolerance and risk appetite.	Mr. Jean-Luc Gourgeon	Chairman
	Mr. Hammam Badr	Member
	Mr. Ismail Mahbob	Member
	Mr. Fahad Al Hesni	Member
		5

f. INTERESTS OF BOARD MEMBERS, THEIR WIVES, DEPENDENTS AND THEIR SUBSIDIARIES IN SHARES AND DEBT INSTRUMENTS OF THE COMPANY.

The board members, their wives and dependents or any of their subsidiaries do not have any interests in shares or debt instruments of the company other than the shareholdings mentioned in 'i' below.

g. PERSONS WITH INTERESTS IN ANY VOTING SHARES WHO HAS INFORMED THE COMPANY OF SUCH RIGHTS.

No person with interests in voting rights on any category of shares has notified the company of such interests.

h. DESCRIPTION OF ANY INVESTMENTS OR RESERVES ESTABLISHED BY THE COMPANY FOR THE BENEFIT OF ITS EMPLOYEES.

The Company has not made any investments or reserves for the benefit of its employees.

DIRECTORS REPORT

Third: Obligations, Disclosures and
Declarations According To The Regulations

i. SHAREHOLDING PERCENTAGE OF BOARD MEMBERS AND SENIOR EXECUTIVES

Name	Number of shares and debt instruments at the beginning of the year	Percentage of ownership at the beginning of the year	Net change in the number of shares during the year	Percentage of change during the year	Total shares held at year end	Percentage of holding at year end
Mr. Hesham Al-shaikh and his family (Chairman).	10,000	0.010%	0	0%	10,000	0.010%
Mr. Mishari Al-Mishari and his family (Vice-Chairman).	5,000	0.005%	0	0%	5,000	0.005%
Mr. Ahmad Sabbagh and his family (Board member).	400,000	0.40%	0	0%	400,000	0.40%
Mr. Jean-Luc Gourgeon and his family (Board member).	0	0%	0	0%	0	0%
Mr. Mansour Al-Bosaily and his family (Board member).	71,117	0.07%	0	0%	71,117	0.07%
Mr. Ismail Mahbob and his family (Board member).	0	0%	0	0%	0	0%
Mr. Fahad Al-Hesni and his family (Executive board member).	1,500	0.0015%	0	0%	1,500	0.0015%
Mr. Hammam Badr and his family (Board member).	0	0%	0	0%	0	0%
Mr. Mahmoud J Hassoubah and his family (Board member).	35,000	0.035%	0	0%	35,000	0.035%
Mr. Nilmin Pieries and his family (CFO)	0	0%	0	0%	0	0%

DIRECTORS REPORT

Third: Obligations, Disclosures and
Declarations According To The Regulations

j. REMUNERATIONS OF THE BOARD MEMBERS AND SENIOR EXECUTIVES

In thousand Saudi Riyals	BOD Members (Executives)	BOD Members (Non-Executive & Independent)	5 top Executives including CEO & CFO
Salaries & Benefits	-	-	7,453
Annual compensation	120	900	1,353
Meeting Fees & Expenses	36	592	-
Consultancy fees	-	332	-
Benefits in kind granted monthly or yearly	-	-	-
Total	156	1,824	8,806

k. COMPANY SHARES OWNERSHIP

Shareholder Name	Holding Percentage at 01/01/2015	Holding Percentage at 31/12/2015	Change
Ahmed Hamad Algozaibi & Bros. Company	5%	5%	0.00

l. MATERIAL CONTRACTS IN WHICH BOARD MEMBERS HAVE INTERESTS

A consultancy services contract as arranged with Mr. Jean-Luc Gourgeon with an amount of SR 332,083 for one year till 30/04/2016. Also, a reinsurance contract for one year was made with AlAman Takaful Insurance S.A.L. in Lebanon with a gross premium of SR 137,701 and also a reinsurance contract with Islamic Insurance Company (Jordan) with a gross premium of 3,386,047, which are both represented by Mr. Ahmed Sabbagh as a board member. In addition, a reinsurance contract for one year was made with Iskan Insurance Company in Egypt with a gross premium of SR 7,957,341 which is represented by Mr. Hammam Badr as chairman of the board of directors. The transactions were applied based on the approved underwriting guidelines. In addition, approval was obtained from the general assembly of the company on the related party contracts.

m. INTERNAL CONTROL SYSTEMS IN THE COMPANY

The internal control system intends to ensure that control and monitoring tools are in place to ensure, at reasonable level, the soundness of financial reports and mitigation of risks. The results of the annual audit conducted by the external auditor have not revealed any deficiency or weakness in the company's internal control system.

n. STATEMENT OF ACCRUED REGULATORY PAYMENTS (IN THOUSAND SAUDI RIYALS)

Description	Reasons	Payments Due
Zakat and Income Tax	The company's share according to the applicable zakat and income tax regulations in Saudi Arabia.	39,419
With-holding Tax	The company's share according to the applicable zakat and income tax regulations in Saudi Arabia.	606
General Organization for Social Insurance (GOSI)	General Organization for Social Insurance subscriptions fee	119
SAMA's control and inspection costs	Saudi Arabian Monetary Agency supervision fee.	306
Total		40,450

DIRECTORS REPORT

Third: Obligations, Disclosures and
Declarations According To The Regulations

o. EXTERNAL AUDITORS

The ordinary general assembly convened on 13/05/2015 approved the board's recommendation to appoint M/s Al-Bassam & Al-Nemer Allied and KPMG Al-Fozan & Al-Sadhan Accountants to act jointly as external auditors of the company for the year ending 31/12/2015.

p. ACCOUNTING STANDARDS ADOPTED IN FINANCIAL STATEMENTS

The company applies the international accounting standards (IFRS) rather than the standards issued by the Saudi Organization for Certified Public Accountants (SOCPA) after securing the approval of SAMA. This has not resulted in any substantial differences in measurements in financial statements. The audit report indicated that the company's financial statements have been prepared in accordance with the internationally recognized accounting standards relating to financial reporting, not SOCPA standards. The reasons were explained in the notes to the financial statements.

q. DECLARATIONS

The company declares:

- It has no loans payable on call or otherwise, and the Company has not repaid any loans during the year ended 31/12/2015.
- It has no debt instruments transferable to shares, options; rights issue notes, or other rights issued by the Company during the financial year ended 31/12/2015.
- It has no transformation rights or offering under debt instruments transferrable to shares, options, rights issue notes, or any similar rights issued or granted by the Company during 2015.
- The Company has not redeemed, acquired or revoked from its part any recoverable debts instruments and value of the remaining securities.
- During 2015, the Company has not been a party in any contract or in which there has been a substantial interest for the CEO, CFO or any person related to them.
- There have not been any arrangements or agreement under which any board member or senior executive has assigned any salary or compensation.

- There have not been any arrangements or agreement under which one of the Company's shareholders has assigned any of his rights in profits.
- There is no penalty or sanction or restriction imposed on Saudi-Re, from anybody or of any entity or regulatory or, other jurisdictions.

The company further declares that:

- Its accounting books have been prepared properly.
- Its internal control system has been prepared on sound bases and implemented effectively.
- There is no doubt as to the company's ability to continue in its business.

CONCLUSION

The board of directors extends appreciation and thanks to our valued customers for their trust and to all of our shareholders whose contributions play a significant role in developing the company. The board also extends its appreciation to the company's management and staff for their wholehearted efforts during the year which contributed to the progress of the company.



The World

**Gross Premium
USD 4,778,248
Millions**



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

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015



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:

- present fairly, in all material respects, the financial position of the Company as at 31 December 2015 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and
- comply with the requirements of the 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

P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

Khalil Ibrahim Al Sedais
Certified Public Accountant
Registration No. 371



PKF Al-Bassam & Al-Nemer Allied
Accountants

P. O. Box 28355
Riyadh 11437
Kingdom of Saudi Arabia

Abdul-Mohsen M. Al Nemer
Certified Public Accountant
Registration No. 399



16 Jumada' I 1437H
(25 February 2016)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 SR	2014 SR
REINSURANCE OPERATIONS' ASSETS			
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
SHAREHOLDERS' ASSETS			
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

STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2015

	Notes	2015 SR	2014 SR
REINSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
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
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
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
SHAREHOLDERS' EQUITY			
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

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

STATEMENT OF INCOME - SHAREHOLDERS' OPERATOIN

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

STATEMENT OF COMPREHENSIVE INCOME SHAREHOLDERS' OPERATIONS

For the year ended 31 December 2015

	Notes	2015 SR	2014 SR
Net income for the year		106,315	10,838,874
Total comprehensive income for the year		106,315	10,838,874

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2015

	Notes	GCC Shareholders and General Public			Non - GCC Shareholders			Total			Total SR
		Share capital SR	Statutory reserve SR	Accumulated deficit SR	Share capital SR	Statutory reserve SR	(Accumulated deficit)/ retained earnings SR	Share capital SR	Statutory reserve SR	Accumulated deficit SR	
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		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
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		976,078,306	5,925,697	(204,507,637)	23,921,694	145,227	573,437	1,000,000,000	6,070,924	(203,934,200)	802,136,724

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

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

STATEMENT OF REINSURANCE OPERATIONS' CASH FLOWS (continued)

For the year ended 31 December 2015

	Notes	2015 SR	2014 SR
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	-

STATEMENT OF SHAREHOLDERS' CASH FLOWS

for the year ended 31 December 2015

	Notes	2015 SR	2014 SR
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	13b	-	683,544
Realized (gains) on investments held at fair value through income statement	8(iii)	(60,267)	(1,281,183)
Unrealized loss / (gain) on investments held at fair value through income statement	8(iii)	7,851,967	(29,626,814)
Shareholders' appropriation from reinsurance operations' (surplus) / deficit		(2,320,358)	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	19(c)	(11,417,727)	(12,928,635)
Net cash used in operating activities		(5,190,736)	(23,201,905)
INVESTING ACTIVITIES			
Purchase of property and equipment	13b	(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	8(iii)	(219,579,979)	(259,845,023)
Proceeds from investments held at fair value through income statement	8(iii)	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		64,648,069	(41,210,737)
FINANCING ACTIVITY			
Due to reinsurance operations		(54,107,788)	5,306,856
Net cash (used in) / from financing activity		(54,107,788)	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		31,917,275	26,567,730

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

Fair values of financial instruments (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

The 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

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

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:

	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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

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

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

	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

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

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

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

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 (Note 31b)	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

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

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

13. PROPERTY AND EQUIPMENT

a. Reinsurance operations:

	Computers and Equipment SR	Furniture and Fixtures SR	Motor Vehicles SR	Leasehold Improve- ments 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

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

13. PROPERTY AND EQUIPMENT (continued)

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).

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

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	1,806,605	749,782

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	-
	4,185,212	9,766,069	2,479,662	8,219,064

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

19. ZAKAT AND INCOME TAX (continued)

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

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

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 SR	2014 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

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	Consulting fees	332,083	383,376	-	-
(BOD)	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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

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.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

29. SEGMENTAL INFORMATION (continued)

29.2 Geographical segments (continued)

	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:

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%

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

30. RISK MANAGEMENT (continued)

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:

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:

- a. Minimum acceptable credit rating by recognized rating agencies (e.g. Standard & Poors) that is not lower than BBB (S&P) or equivalent.
- b. Reputation of particular retrocessionaire companies.
- c. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

30. RISK MANAGEMENT (continued)

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 to the ceding companies under 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

30. RISK MANAGEMENT (continued)

30.6. Credit risk (continued)

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

	31 December 2015 SR		31 December 2014 SR	
	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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

30. RISK MANAGEMENT (continued)

30.6. Credit risk (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

30. RISK MANAGEMENT (continued)

30.7. Liquidity risk (continued)

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	-	-	-
Retrocession 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

	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

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

30. RISK MANAGEMENT (continued)

30.7. Liquidity risk (continued)

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
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

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 (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	28,113,134	-	28,113,134	7,100,713	-	7,100,713
Due from shareholders' operations	188,019,813	-	188,019,813	-	-	-
Retroceded share of unearned premiums	2,080,440	-	2,080,440	-	-	-
Deferred acquisition costs	63,512,581	-	63,512,581	-	-	-
Deferred excess of loss premiums	17,311,815	-	17,311,815	-	-	-
Property and equipment	-	6,269,040	6,269,040	-	33,521,502	33,521,502
Held to maturity investments	-	-	-	93,760,109	51,710,318	145,470,427
Accrued special commission income from time deposits	-	-	-	-	70,035	70,035
Accrued special commission income from bonds and sukuk	-	-	-	-	3,703,766	3,703,766
Statutory deposit	-	-	-	-	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

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

30. RISK MANAGEMENT (continued)

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.

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

31 December 2015	SR SR	USD SR	QAR SR	AED SR	EUR SR	KWD SR	INR SR	Other SR	Total 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

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

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

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
	782,072,246	93,919,760	25,857,271	19,035,904	1,033,626	26,140,979	60,628,559	105,855,595	1,114,543,940

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).

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2015

30. RISK MANAGEMENT (continued)

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.



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