
**METLIFE, AMERICAN INTERNATIONAL GROUP
AND ARAB NATIONAL BANK COOPERATIVE
INSURANCE COMPANY**
(A SAUDI JOINT STOCK COMPANY)

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

31 DECEMBER 2016

MetLife, American International Group and Arab National Bank
Cooperative Insurance Company
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

For the year ended 31 December 2016

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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
METLIFE, AMERICAN INTERNATIONAL GROUP AND ARAB NATIONAL BANK
COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

SCOPE OF AUDIT:

We have audited the accompanying statement of financial position of **METLIFE, AMERICAN INTERNATIONAL GROUP AND ARAB NATIONAL BANK COOPERATIVE INSURANCE COMPANY** (A Saudi Joint Stock Company) (the "Company") as at 31 December 2016 and the related statements of insurance operations and shareholders' comprehensive operations, changes in shareholders' equity, insurance operations' and shareholders' cash flows for the year then ended and the related notes 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 the International Financial Reporting Standards, the provisions 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:

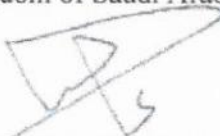
In our opinion, the financial statements taken as a whole:

- present fairly, in all material respects, the financial position of the Company as at 31 December 2016 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and
- comply with the requirements of the Regulation for Companies and the Company's by-laws in so far as they affect the preparation and presentation of the financial statements.

EMPHASIS OF A MATTER:

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

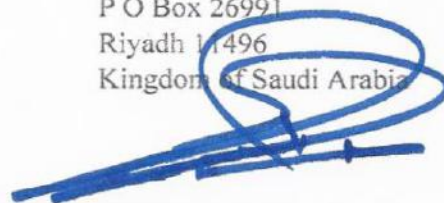
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10 Jumada Al-Akhar 1438H
(9 March 2017)

MetLife, American International Group and Arab National Bank
Cooperative Insurance Company
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 SR	2015 SR
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	5	44,784,851	64,689,241
Time deposits	11	15,000,000	-
Premiums receivable, net	6	53,391,350	35,661,423
Reinsurers' balances receivable		1,249,349	-
Reinsurers' share of unearned premiums	14	28,592,267	27,622,732
Reinsurers' share of mathematical reserves	1.1	234,842,010	251,654,626
Reinsurers' share of outstanding claims	7	33,804,252	19,923,644
Deferred policy acquisition costs	8	9,083,617	4,857,863
Due from related parties	17	1,745,571	474,740
Prepaid expenses and other assets	9	35,261,723	13,750,066
Due from shareholders' operations		2,904,525	8,010,111
Property and equipment, net	10	3,776,580	5,757,153
TOTAL INSURANCE OPERATIONS' ASSETS		464,436,095	432,401,599
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	5	104,001,918	66,314,800
Time deposits	11	49,000,000	-
Held to maturity investments	12(i)	49,457,138	10,000,000
Prepaid expenses and other assets	9	750,301	944,930
Available for sale investments	12(ii)	3,175,163	3,175,163
Statutory deposit	13	35,000,000	17,500,000
Commission on statutory deposit	13	366,774	174,521
TOTAL SHAREHOLDERS' ASSETS		241,751,294	98,109,414
TOTAL INSURANCE OPERATIONS' AND SHAREHOLDERS' ASSETS		706,187,389	530,511,013



Managing Director/
Chief Executive Officer



Chief Financial Officer

The accompanying notes 1 to 29 form an integral part of these financial statements.

MetLife, American International Group and Arab National Bank
Cooperative Insurance Company
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2016

	<i>Notes</i>	2016 SR	2015 SR
INSURANCE OPERATIONS' LIABILITIES			
Gross unearned premiums	14	96,831,054	92,031,067
Gross outstanding claims	7	81,112,229	39,652,073
Gross mathematical reserves	1.1	234,842,010	251,654,626
Payables, accruals and others	15	21,776,258	12,721,984
Reinsurance balances payable		20,292,935	29,875,305
Unearned reinsurance commission income	16	4,952,097	3,754,021
Due to related parties	17	2,615,731	1,675,037
Employees' terminal benefits	18	2,013,781	1,037,486
TOTAL INSURANCE OPERATIONS' LIABILITIES		<u>464,436,095</u>	<u>432,401,599</u>
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Zakat	19	523,658	615,473
Payables, accruals and others	15	871,560	733,060
Commission on statutory deposit		366,774	174,521
Due to insurance operations		2,904,525	8,010,111
TOTAL SHAREHOLDERS' LIABILITIES		<u>4,666,517</u>	<u>9,533,165</u>
SHAREHOLDERS' EQUITY			
Share capital	20	350,000,000	175,000,000
Accumulated deficit		(112,915,223)	(86,423,751)
TOTAL SHAREHOLDERS' EQUITY		<u>237,084,777</u>	<u>88,576,249</u>
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		<u>241,751,294</u>	<u>98,109,414</u>
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SHAREHOLDERS' LIABILITIES AND EQUITY		<u>706,187,389</u>	<u>530,511,013</u>



Managing Director/
Chief Executive Officer



Chief Financial Officer

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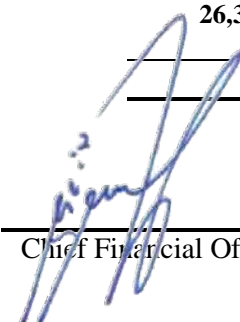
STATEMENT OF INSURANCE OPERATIONS

For the year ended 31 December 2016

	Notes	For the year ended 31 December 2016 SR	For the year ended 31 December 2015 SR
Gross written premiums	14	208,090,001	144,740,920
Reinsurance premiums ceded	14	(58,487,360)	(47,695,383)
Excess of loss premiums	14	(678,289)	(380,483)
NET WRITTEN PREMIUMS		148,924,352	96,665,054
Net changes in unearned premiums	14	(3,830,454)	(62,950,291)
NET EARNED PREMIUMS		145,093,898	33,714,763
Reinsurance commission earned	16	10,732,808	4,650,695
Other underwriting income		5,945,810	1,933,163
UNDERWRITING REVENUE		161,772,516	40,298,621
Gross paid claims		(127,394,847)	(41,389,428)
Reinsurers' share of paid claims		30,962,876	29,865,188
NET CLAIMS PAID		(96,431,971)	(11,524,240)
Net changes in outstanding claims		(27,579,549)	(19,440,698)
NET CLAIMS INCURRED		(124,011,520)	(30,964,938)
Commission incurred	8	(15,489,983)	(3,284,661)
Inspection and supervisory fees		(2,319,132)	(548,375)
Other direct underwriting expenses		(1,246,730)	(394,863)
Provision of doubtful debt expenses	6 (b)	(2,971,471)	(1,232,300)
UNDERWRITING EXPENSES		(146,038,836)	(36,425,137)
UNDERWRITING RESULTS		15,733,680	3,873,484
General and administrative expenses	21	(43,497,187)	(35,304,973)
Special commission income	5	1,445,393	156,164
NET DEFICIT FOR THE YEAR FROM INSURANCE OPERATIONS		(26,318,114)	(31,275,325)
Shareholders' appropriation from deficit		26,318,114	31,275,325
NET RESULT FOR THE YEAR		-	-



Managing Director/
Chief Executive Officer



Chief Financial Officer

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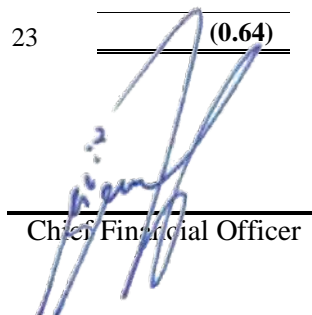
MetLife, American International Group and Arab National Bank
Cooperative Insurance Company
(A Saudi Joint Stock Company)

STATEMENT OF SHAREHOLDERS' COMPREHENSIVE OPERATIONS
For the year ended 31 December 2016

	<i>Notes</i>	<i>For the year ended 31 December 2016 SR</i>	<i>For the year ended 31 December 2015 SR</i>
Appropriation of deficit from insurance operations		(26,318,114)	(31,275,325)
Special commission income	5	5,490,310	623,569
Dividend income		384,616	339,103
General and administrative expenses	21	(1,412,047)	(1,184,876)
NET LOSS BEFORE ZAKAT FOR THE YEAR		(21,855,235)	(31,497,529)
Zakat	19	(390,033)	(615,473)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(22,245,268)	(32,113,002)
LOSS PER SHARE:			
Basic and diluted loss per share - Restated	23	(0.64)	(1.06)



Managing Director/
Chief Executive Officer



Chief Financial Officer

MetLife, American International Group and Arab National Bank
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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2016

	<i>Saudi Shareholders</i>		<i>Foreign Shareholders</i>		<i>Total Shareholders</i>		
	<i>Share capital SR</i>	<i>Accumulated deficit SR</i>	<i>Share capital SR</i>	<i>Accumulated deficit SR</i>	<i>Share capital SR</i>	<i>Accumulated deficit SR</i>	<i>Total SR</i>
Balance as at 1 January 2016	105,000,000	(52,597,508)	70,000,000	(33,826,243)	175,000,000	(86,423,751)	88,576,249
Issue of share capital	105,000,000	-	70,000,000	-	175,000,000	-	175,000,000
Transaction costs on issue of share capital	-	(2,547,722)	-	(1,698,482)	-	(4,246,204)	(4,246,204)
Net loss for the year	-	(13,113,141)	-	(8,742,094)	-	(21,855,235)	(21,855,235)
Zakat	-	(390,033)	-	-	-	(390,033)	(390,033)
Balance as at 31 December 2016	210,000,000	(68,648,404)	140,000,000	(44,266,819)	350,000,000	(112,915,223)	237,084,777
Balance as at 1 January 2015	105,000,000	(33,083,518)	70,000,000	(21,227,231)	175,000,000	(54,310,749)	120,689,251
Net loss for the period	-	(18,898,517)	-	(12,599,012)	-	(31,497,529)	(31,497,529)
Zakat	-	(615,473)	-	-	-	(615,473)	(615,473)
Balance as at 31 December 2015	105,000,000	(52,597,508)	70,000,000	(33,826,243)	175,000,000	(86,423,751)	88,576,249


Managing Director/
Chief Executive Officer


Chief Financial Officer

The accompanying notes 1 to 29 form an integral part of these financial statements.

MetLife, American International Group and Arab National Bank
Cooperative Insurance Company
(A Saudi Joint Stock Company)

STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the year ended 31 December 2016

	Notes	For the year ended 31 December 2016 SR	For the year ended 31 December 2015 SR
CASH FLOW FROM OPERATING ACTIVITIES			
Net results for the year		-	-
<i>Adjustments for:</i>			
Shareholders' appropriation from deficit		(26,318,114)	(31,275,325)
Depreciation	10	2,452,343	2,734,027
Special commission income		(1,445,393)	(156,164)
Provision for doubtful receivables	6(b)	2,971,471	1,232,300
Employees' terminal benefits	18	980,519	667,249
		(21,359,174)	(26,797,913)
<i>Changes in operating assets and liabilities:</i>			
Premiums receivable		(20,701,398)	(33,472,171)
Reinsurers' balances receivable		(1,249,349)	-
Reinsurers' share of outstanding claims		(13,880,608)	(19,423,845)
Reinsurers' share of unearned premiums		(969,535)	(24,371,633)
Reinsurers' share of mathematical reserves		16,812,616	(251,654,626)
Deferred policy acquisition costs		(4,225,754)	(4,388,175)
Due from related parties		(1,270,831)	(474,740)
Prepaid expenses and other assets		(21,212,172)	(10,626,135)
Gross outstanding claims		41,460,156	38,864,543
Gross unearned premiums		4,799,987	87,321,925
Gross mathematical reserves		(16,812,616)	251,654,626
Payables, accruals and others		9,054,274	8,359,100
Reinsurance balances payable		(9,582,370)	26,947,592
Unearned reinsurance commission income		1,198,076	2,872,549
Due to related parties		940,694	(147,850)
Due to/from shareholders' operations		31,423,700	18,236,556
Employees' terminal benefits paid	18	(4,224)	(12,645)
Net cash (used in) / generated from operating activities		(5,578,528)	62,887,158
CASH FLOW FROM INVESTING ACTIVITIES			
Time deposits		(15,000,000)	-
Purchase of property and equipment	10	(471,770)	(436,331)
Special commission income received		1,145,908	-
Net cash (used in) investing activities		(14,325,862)	(436,331)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
		(19,904,390)	62,450,827
Cash and cash equivalents at the beginning of the year		64,689,241	2,238,414
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	44,784,851	64,689,241



Managing Director/
Chief Executive Officer

Chief Financial Officer

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MetLife, American International Group and Arab National Bank
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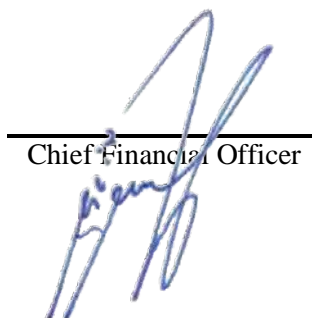
STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the year ended 31 December 2016

	Notes	For the year ended 31 December 2016 SR	For the year ended 31 December 2015 SR
CASH FLOW FROM OPERATING ACTIVITIES			
Net loss before Zakat		(21,855,235)	(31,497,529)
<i>Adjustments for:</i>			
Appropriation of deficit from insurance operations		26,318,114	31,275,325
Special commission income		(5,490,310)	(623,569)
Dividends income		(384,616)	(339,103)
Amortization of Discount on HTM	12(i)	(16,638)	-
		(1,428,685)	(1,184,876)
<i>Changes in operating assets and liabilities:</i>			
Statutory deposit		(17,500,000)	-
Due to/from insurance operations		(31,423,700)	(18,236,556)
Prepaid expenses and other assets		776,487	(749,999)
Payables, accruals and others		138,500	(553,113)
Zakat paid		(481,848)	-
Net cash (used in) operating activities		(49,919,246)	(20,724,544)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of held to maturity investment	12(i)	(39,440,500)	(10,000,000)
Time deposits	11	(49,000,000)	85,000,000
Special commission income received		4,908,452	542,261
Dividends received		384,616	339,103
Net cash generated from/(used in) investing activities		(83,147,432)	75,881,364
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of share capital	20	175,000,000	-
Transaction costs on issue of share capital		(4,246,204)	-
Net cash from financing activities		170,753,796	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		37,687,118	55,156,820
Cash and cash equivalents at the beginning of the year		66,314,800	11,157,980
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	104,001,918	66,314,800



Managing Director/
Chief Executive Officer



Chief Financial Officer

The accompanying notes 1 to 29 form an integral part of these financial statements.

MetLife, American International Group and Arab National Bank
Cooperative Insurance Company
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

1 ORGANISATION AND PRINCIPAL ACTIVITIES

MetLife, American International Group and Arab National Bank Cooperative Insurance Company (the “Company”) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration numbered 1010391438 dated 22 Dhul-Hijjah 1434H (corresponding to 27 October 2013).

The address of registered office of the Company is as follows:

MetLife, American International Group and Arab National Bank Cooperative Insurance Company
P.O. Box 56437
Riyadh 11554
Kingdom of Saudi Arabia.

The objective of the Company is to transact cooperative insurance operations and related activities in accordance with the Law on Supervision of Cooperative Insurance Companies and its implementing regulations applicable in the Kingdom of Saudi Arabia. Its principal lines of business include individual and group life, accident and health and all classes of general insurance. The Company’s shares were listed on the Saudi Arabian Stock Exchange (“Tadawul”) on 23 Muharram 1435H (corresponding to 26 November 2013).

As per the Company’s by-laws, the fiscal year of the company starts from January and ends in December provided that the first fiscal year shall commence after the ministerial resolution declaring the incorporation of the Company, which was on 22 Shawwal 1434H (corresponding to 29 August 2013) and ends on 31 December of the next Gregorian year.

1.1 METLIFE ALICO PORTFOLIO TRANSFER

The Company has entered into an agreement with MetLife ALICO (30% shareholder) by which MetLife ALICO has transferred its existing Saudi run-off portfolio to the Company effective 01 April 2015. This portfolio includes long-term life Protection and Savings insurance products and Personal Accident policies. The Company reinsures back to MetLife 100% of this portfolio under a quota-share reinsurance agreement. Accordingly, the Company has become the owner of the transferred policies and MetLife has become the reinsurer of this block of business. The transfer of the portfolio was made at book value with no cash payment. Accordingly, the liabilities related to this portfolio were recorded in the Company’s books at book value with offsetting assets representing the reinsurance share of these liabilities. MetLife paid a reinsurance commission amounting to SR 2,643,120 for the year ended 31 December 2016 (SR 2,121,942 for the year ended 31 December 2015) to compensate the cost of capital for this portfolio in addition to reimbursing the Company for all expenses related to the administration of this portfolio by paying an administration fee amounting to SR 1,570,831 for the year ended 31 December 2016 (SR 754,181 for the year ended 31 December 2015) which is booked under “Other underwriting income”.

The portfolio transfer has been approved by the Board of Directors on 16 February 2015 and by the shareholders of the Company in their General Assembly meeting on 12 May 2015. Saudi Arabian Monetary Authority (“SAMA”) has also provided their approval on 28/5/1436 H corresponding to 19 March 2015.

Assets and liabilities of the transferred portfolio as at 31 December 2016 are shown as below:

	<u>Assets</u>			<u>Liabilities</u>	
	31 December	31 December		31 December	31 December
	2016	2015		2016	2015
	SR	SR		SR	SR
Cash and Cash equivalents	3,724,653	9,448,346	Gross unearned premiums	453,881	725,003
Reinsurers’ share of unearned premiums	453,881	725,003	Gross outstanding claims	11,126,543	12,515,083
Reinsurers’ share of mathematical reserves	234,842,010	251,654,626	Gross mathematical reserves	234,842,010	251,654,626
Reinsurers’ share of outstanding claims	11,126,543	12,515,083	Reinsurance balances payable	-	7,505,330
Reinsurers’ balances receivable	1,249,349	-	Due to shareholders operations	7,485,578	2,871,659
Receivable & other assets	2,612,822	979,088	Payable and other liabilities	101,246	50,445
Total	254,009,258	275,322,146	Total	254,009,258	275,322,146

NOTES TO THE FINANCIAL STATEMENTS (Continued)
31 December 2016

1 ORGANISATION AND PRINCIPAL ACTIVITIES (continued)

1.2 MANAFETH AGREEMENT WITH TAWUNIYA

The Company participated in the Manafeth agreement between Tawuniya and the majority of the insurance companies in Saudi Arabia effective 01 January 2015 for co-insuring cars entering into Saudi Arabia from all Saudi borders (except the border with AL-Bahrain). Based on this agreement, all insurance companies participating in this coverage will have an equal share of the net result of this portfolio after allowing for all expenses related to managing this portfolio by Tawuniya. This deal is for three years starting from 01 January 2015 and is expected to renew at same terms. The income related to this portfolio is included in the statement of insurance operations under "Other underwriting income" and is allocated to Motor Insurance in the segment reporting.

2 BASIS OF PREPARATION

Basis of preparation

The financial statements have been prepared under the historical cost basis.

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations. The physical custody of all assets related to the Insurance Operations and Shareholders' Operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of other revenue and expenses from joint operations is as determined by the management and Board of Directors. As per the bye-laws of the Company, the deficit arising from the Insurance Operations is allocated fully to Shareholders Operations whereas any surplus arising from the Insurance Operations is distributed as follows:

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

Statement of compliance

The financial statements of the Company have been prepared 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").

Functional and presentational currency

The functional and presentation currency of the Company is Saudi Riyals.

3 SIGNIFICANT ACCOUNTING POLICIES

Product classification

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the assets. Expenditure for repair and maintenance is charged to statement of insurance operations. Improvements that increase the value or materially extend the life of the related assets are capitalised. Depreciation is charged to the statement of insurance operations on a straight line basis over the estimated useful lives of the assets. The estimated useful lives of the assets for the calculation of depreciation are as follows:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment (continued)

Leasehold improvements	7 years
Furniture and fixtures	7 years
Office equipment	5 years
Computer hardware	5 years
Computer software	3 years
Motor vehicles	5 years

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

The carrying values of property and equipment 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.

Accounts payable and accruals

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

Leases

Operating lease payments are recognised as an expense in the statement of insurance operations on a straight-line basis over the lease term.

Zakat and income tax

Zakat and income tax are provided for in accordance with Saudi Arabian fiscal regulations. Zakat and income tax are accrued and charged to the statement of shareholders' comprehensive operations.

Employees' terminal benefits

Employees' terminal 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 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 reporting date. Terminal benefits payments are based on employees' final salaries and allowances and their cumulative years of service, as defined by Saudi Arabian Labour Law.

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably.

Cash and cash equivalents

Cash and cash equivalents for the purposes of statement of shareholders' and insurance operations' cash flows comprise of cash at banks and short-term deposits, if any, with an original maturity of three months or less from the date of acquisition.

Revenue recognition

Recognition of premium and commission revenue

Premiums and commission are taken into "statement of insurance operations" over the terms of the policies to which they relate on a pro-rata basis, so that the revenue is recognized over the period of the risk. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premiums is taken to the "statement of insurance operations", over the period of risk.

Retained premiums and commission income, which relate to unexpired risks beyond the end of the financial period, are reported as unearned and deferred based on the following methods:

- Last three months from the period in respect of marine cargo
- Actual number of days for other lines of business; and
- Pre-defined calculation for Engineering class of business for risks undertaken that extend beyond a single year. In accordance with this calculation, lower premiums are earned in the first year which gradually increases towards the end of the tenure of the policy.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
31 December 2016

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (continued)

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

Premium balances receivable

Premiums receivable are measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of premiums receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in the statement of insurance operations. Premiums receivable are derecognised when the derecognition criteria for financial assets have been met.

Any difference between the provisions at the end of reporting period and settlements and provisions in the following year is included in the statement of insurance operations.

Special commission income

Special commission income on short-term and time deposits is accrued on an effective yield basis.

Insurance contract

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect.

Once a contract has been classified as an “insurance contract”, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Claims

Claims consist of amounts payable to policy holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to statement of insurance operations. Gross outstanding claims comprise gross estimated cost of claims incurred but not settled at the reporting date, whether reported or not. Provisions for reported claims not paid as of the financial reporting date are made on the basis of individual case estimates. The Company does not discount its liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the financial reporting date.

Outstanding claims and other technical reserves

The Company generally estimates its claims based on previous experience. In addition a provision based on management’s judgment is maintained for the cost of settling claims “incurred but not reported” and “unallocated loss adjustment expense reserve” at the reporting date. Any difference between the provisions at the balance sheet date and settlements and provisions for the following period is included in the underwriting account for that period. The Company acquires services of an independent actuary to determine such claims.

The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately.

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported is an estimation of claims which are expected to be reported subsequent to the end of financial reporting year, for which the insured event has occurred prior to the end of the financial reporting year.

Deferred policy acquisition costs

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are deferred and amortised over the terms of the insurance contracts to which they relate as premiums are earned. Amortisation is recorded in the “statement of insurance operations”.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred policy acquisition costs (continued)

An impairment review is performed at each financial 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 recognised in the statement of insurance operations. Deferred policy acquisition cost is also considered in the liability adequacy test for each financial reporting period.

Statutory deposit

Statutory deposit represents 10% of the paid up capital of the Company which is maintained with a bank designated by SAMA in accordance with The Cooperative Insurance Companies Control Law for insurance companies. This statutory deposit cannot be withdrawn without the consent of SAMA. Accrued interest is included under accrued expenses and other liabilities.

Reinsurance

The Company cedes insurance risk in the normal course of business for all of its businesses under which the Company is compensated for losses on insurance contracts issued. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the “statement of insurance operations”.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Liability adequacy test

At each reporting date the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred policy acquisition costs) is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in statement of insurance operations and an unexpired risk provision is created. The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the reporting date.

Expenses

Expenses are recognised when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Foreign currencies

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are retranslated at the rates of exchange ruling at the statement of financial position date. All differences are taken to the statement of shareholders’ comprehensive operations. Foreign exchange gains or loss on available for sale investments are recognised in the statement of shareholders’ comprehensive operations.

Statutory reserve

In accordance with its Articles of Association, the Company shall allocate 20% of its net income of each year to a statutory reserve until it has built up a reserve equal to the share capital. In view of the accumulated losses, no such transfer has been made for the year ended 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
31 December 2016

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment and uncollectibility of financial assets

An assessment is made at each financial reporting date to determine whether there is objective evidence that a specific financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the statement of shareholders' comprehensive operations. When a financial asset is uncollectible, it is written off against the related provision for impairment. Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted, and the amount of the loss has been determined.

Impairment is determined as follows:

- a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of shareholders' comprehensive operations or the statement of comprehensive income of insurance operations.
- b) 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.

Offsetting

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

Trade date accounting

All regular way purchases and sales of financial assets are recognised / derecognised on the trade date (i.e. the date that the Company commits to purchase or sell the assets). Regular way purchases or sales of financial assets are transactions that require settlement of assets within the time frame generally established by regulation or convention in the market place.

Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Segment reporting

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incur expenses and about which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions. The Company has eight reportable operating segments as follows:

- Accidents and liabilities which provides coverage against accidental death to individual and group of persons under Personal Accident Insurance and insures the interest of employers under Fidelity Guarantee and affords cover for loss or damage under Money and certain public liability insurances.
- Motor insurance which provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Property which provides coverage against fire, and any other insurance included under this class of insurance.
- Marine products which provide cover for unpredictable events during sea voyage and inland transit with solutions against unfortunate events incidences during travel and transit.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
31 December 2016

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Segment reporting (continued)

- Engineering products which provide companies with solutions against unfortunate events with respect to activities undertaken during construction projects.
- Other general lines which provides coverage for consumer products like service warranty and personal protection products.
- Health products which provide health care cover to policyholders.
- Protection and saving which provides coverage against life death to individual and group of personal under Personal and Group Protection Life.

Shareholders' Funds is a non-operating segment. Income earned from time deposits and investments is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The deficit or surplus from the insurance operations' is allocated to this segment on an appropriate basis. Segment performance is evaluated based on income or loss which, in certain respects, is measured differently from income or loss in the financial statements.

Transfer pricing for intersegment transactions between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of financial statements of the Company. As the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by operating segment only.

Investments

All investments are initially recognised at their fair value, including acquisition charges associated with the investment, excluding those held at fair value through income statement. For investments that are traded in organised financial markets, fair value is determined by reference to exchange quoted market bid prices at the close of business on the reporting date without any deduction for transaction costs.

Available for sale investments ("AFS")

Available for sale investments include equity securities. After initial measurement, AFS financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in equity (through other comprehensive income) captioned under 'change in fair values of available for sale investments'. When the investment is disposed off, the cumulative gain or loss previously recognised in equity is recognised in the statement of shareholders' comprehensive operations.

Held to maturity investments ("HTM")

Held to maturity investments are non-derivative financial assets which have fixed or determinable payments that the Company has the positive intention and ability to hold to maturity and are initially measured at amortised cost adjusted by the amount of amortisation of premium or accretion of discount using the effective interest method. Any permanent decline in value of HTM investments is recognised in the statement of insurance comprehensive operations. Investments classified as held to maturity cannot ordinarily be sold or reclassified without impacting the Company's ability to use this classification and cannot be designated as a hedged item with respect to special commission rate or prepayment risk, reflecting the longer-term nature of these investments.

4 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

Going concern

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
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4 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (continued)

Judgements

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Key estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the significant accounting policies in note 3.

5 CASH AND CASH EQUIVALENTS

	<i>31 December 2016</i>		<i>31 December 2015</i>	
	<i>Insurance operations SR</i>	<i>Shareholders' operations SR</i>	<i>Insurance operations SR</i>	<i>Shareholders' operations SR</i>
Cash at banks and in hand	13,784,851	2,001,918	14,689,241	1,260,553
Short-term deposit with original maturity of three months or less	31,000,000	102,000,000	50,000,000	65,054,247
	<u>44,784,851</u>	<u>104,001,918</u>	<u>64,689,241</u>	<u>66,314,800</u>
weighted average special commission rate	3.750%	1.650%	2.000%	2.154%

Short-term deposit is placed with a local banks with an original maturity of three months or less.

Short-term deposit and cash at banks are placed with local commercial banks with good investment grade credit ratings.

The carrying values of short-term deposit and cash at banks approximate their fair value at the Financial Statements date.

6 PREMIUMS RECEIVABLE, NET

a) The aging analysis of premiums receivable balances is set out below:

<i>31 December 2016</i>		<i>Past due not impaired</i>	<i>Past due and impaired</i>		
	<i>Total SR</i>	<i>Up to 90 days SR</i>	<i>91 to 180 days SR</i>	<i>181 to 360 days SR</i>	<i>More than 360 days SR</i>
Premiums receivable	57,685,948	35,571,351	13,524,107	8,353,771	236,719
Provision for doubtful debts	(4,294,598)	-	(2,028,616)	(2,088,443)	(177,539)
Premiums receivable, net	<u>53,391,350</u>	<u>35,571,351</u>	<u>11,495,491</u>	<u>6,265,328</u>	<u>59,180</u>
<i>31 December 2015</i>					
Premiums receivable	36,984,550	30,613,826	2,762,099	3,595,313	13,312
Provision for doubtful debts	(1,323,127)	-	(414,315)	(898,828)	(9,984)
Premiums receivable, net	<u>35,661,423</u>	<u>30,613,826</u>	<u>2,347,784</u>	<u>2,696,485</u>	<u>3,328</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

6 PREMIUMS RECEIVABLE, NET (Continued)

a) The aging analysis of premiums receivable balances (continued)

The Company classifies balances as 'past due and impaired' on the basis of the guidelines given by SAMA. Unimpaired premiums receivable are expected to be fully recoverable. It is not the practice of the Company to obtain collateral over premiums receivable, and vast majority of such balances are therefore unsecured.

b) The movement in provision for doubtful policyholders' balances for the years ended 31 December 2016 and 2015 is set out below:

	<i>31 December 2016 SR</i>	<i>31 December 2015 SR</i>
Beginning balance	1,323,127	90,827
Charge for the year (<i>insurance operations</i>)	2,971,471	1,232,300
Closing balance	<u>4,294,598</u>	<u>1,323,127</u>

7 OUTSTANDING CLAIMS

The Outstanding Claims balances is set out below:

	<i>31 December 2016 SR</i>			<i>31 December 2015 SR</i>		
	<i>Gross</i>	<i>Reinsurers' share</i>	<i>Net</i>	<i>Gross</i>	<i>Reinsurers' share</i>	<i>Net</i>
Outstanding reported claims	40,629,948	17,642,772	22,987,176	25,803,739	13,252,808	12,550,931
Claims incurred but not reported	39,094,400	16,161,480	22,932,920	13,170,131	6,670,836	6,499,295
Unallocated loss adjustment expense reserve	1,212,477	-	1,212,477	638,376	-	638,376
Catastrophic reserve	175,404	-	175,404	39,827	-	39,827
Total outstanding claims	<u>81,112,229</u>	<u>33,804,252</u>	<u>47,307,977</u>	<u>39,652,073</u>	<u>19,923,644</u>	<u>19,728,429</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

8 DEFERRED POLICY ACQUISITION COSTS

	<i>For the year ended 31 December 2016 SR</i>	<i>For the year ended 31 December 2015 SR</i>
Beginning balance	4,857,863	469,688
Paid during the year	19,715,737	7,672,836
Amortized during the year	(15,489,983)	(3,284,661)
Closing Balance	<u>9,083,617</u>	<u>4,857,863</u>

9 PREPAID EXPENSES AND OTHER ASSETS

	<i>31 December 2016 SR</i>		<i>31 December 2015 SR</i>	
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>
Advances to Medical Providers	16,324,681	-	-	-
Employees' receivable	1,813,824	-	1,282,601	-
Prepaid expenses	4,519,056	-	4,957,320	750,000
Deposit against letters of guarantee	6,543,980	-	3,538,097	-
Security deposits	176,910	-	176,910	-
Prepaid rent	358,787	-	1,249,001	-
Accrued interest	466,250	746,308	156,165	190,937
Manafeth revenue receivable	3,405,540	-	1,176,370	-
Other assets	1,652,695	3,993	1,213,602	3,993
	<u>35,261,723</u>	<u>750,301</u>	<u>13,750,066</u>	<u>944,930</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

10 PROPERTY AND EQUIPMENT, NET

	<i>Leasehold improvements SR</i>	<i>Furniture and fixtures SR</i>	<i>Office equipment SR</i>	<i>Computer hardware SR</i>	<i>Computer software SR</i>	<i>Motor vehicles SR</i>	<i>Total SR</i>
As of 31 December 2016							
<i>Cost:</i>							
Beginning balance	3,569,814	989,189	504,739	4,829,874	3,398,295	215,049	13,506,960
Additions for the year	-	-	26,520	256,200	189,050	-	471,770
	<u>3,569,814</u>	<u>989,189</u>	<u>531,259</u>	<u>5,086,074</u>	<u>3,587,345</u>	<u>215,049</u>	<u>13,978,730</u>
<i>Depreciation:</i>							
Beginning balance	1,407,025	414,114	270,948	3,080,837	2,502,197	74,686	7,749,807
Charge for the year	536,575	146,266	106,043	1,015,235	602,431	45,793	2,452,343
	<u>1,943,600</u>	<u>560,380</u>	<u>376,991</u>	<u>4,096,072</u>	<u>3,104,628</u>	<u>120,479</u>	<u>10,202,150</u>
<i>Net book value:</i>							
As at 31 December 2016	<u>1,626,214</u>	<u>428,809</u>	<u>154,268</u>	<u>990,002</u>	<u>482,717</u>	<u>94,570</u>	<u>3,776,580</u>
As of 31 December 2015							
<i>Cost:</i>							
Beginning balance	3,454,254	972,139	499,289	4,697,281	3,232,617	215,049	13,070,629
Additions for the year	115,560	17,050	5,450	132,593	165,678	-	436,331
	<u>3,569,814</u>	<u>989,189</u>	<u>504,739</u>	<u>4,829,874</u>	<u>3,398,295</u>	<u>215,049</u>	<u>13,506,960</u>
<i>Depreciation:</i>							
Beginning balance	906,570	272,808	170,003	2,131,132	1,503,591	31,676	5,015,780
Charge for the year	500,455	141,306	100,945	949,705	998,606	43,010	2,734,027
	<u>1,407,025</u>	<u>414,114</u>	<u>270,948</u>	<u>3,080,837</u>	<u>2,502,197</u>	<u>74,686</u>	<u>7,749,807</u>
<i>Net book value:</i>							
As at 31 December 2015	<u>2,162,789</u>	<u>575,075</u>	<u>233,791</u>	<u>1,749,037</u>	<u>896,098</u>	<u>140,363</u>	<u>5,757,153</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

11 TIME DEPOSITS

Time deposits represent deposits with local commercial banks with good investment grade credit ratings and have an original maturity of more than three months from date of acquisition. Time Deposits invested for more than three months is set out below:

	<i>31 December 2016</i>		<i>31 December 2015</i>	
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Time deposits	15,000,000	49,000,000	-	-
Average variable special commission rate	3.250%	3.648%		

The carrying values of time deposits approximate their fair value at the reporting date.

12 INVESTMENTS

(i) Held to maturity

Held to Maturity ("HTM") investments amounting to SR 49,457,138 (31 December 2015: 10,000,000) comprise of unquoted Sukuk and its maturity up to ten years. Management's opinion is that the fair value of the HTM investment as at 31 December 2016 was not materially different from its carrying value, book value net of amortization is set out below:

	<i>Shareholders' operations</i>	
	<i>31 December 2016</i>	<i>31 December 2015</i>
Type of Investments	<i>SR</i>	<i>SR</i>
Sukuk – Private – Floating rate	35,000,000	10,000,000
Sukuk – Governmental – Fixed rate	14,457,138	-
	49,457,138	10,000,000

The movement in HTM investments for the year ended 31 December 2016 and 31 December 2015 is set out below:

	<i>Shareholders' operations</i>	
	<i>31 December 2016</i>	<i>31 December 2015</i>
	<i>SR</i>	<i>SR</i>
Beginning balance	10,000,000	-
Purchased during the year		
Par value	40,000,000	10,000,000
Discount	(559,500)	-
Total purchases at cost	39,440,500	10,000,000
Amortization of discount on HTM	16,638	-
	49,457,138	10,000,000

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
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12 INVESTMENTS (continued)

(ii) Available for sale

This investment represents equity holding in the unquoted share capital of “Najm For Insurance Services Company”. As the fair value is not readily available; this investment has been carried at cost and reviewed by management for impairment. Management opinion that the fair value of this investment is not materially different from its carrying value.

(iii) Levels of Investments

The above held to maturity investments have not been classified into levels as they are kept at amortized cost. Regarding the available for sale investment, it is classified under level 3.

13 STATUTORY DEPOSIT

Statutory deposit as of 31 December 2016 amounted to SR 35,000,000 (31 December 2015: SR17,500,000) represents 10% of the paid up share capital of the Company which is maintained in accordance with the Cooperative Insurance Companies Control Law issued by the Saudi Arabian Monetary Authority (“SAMA”). This statutory deposit cannot be withdrawn without the consent of SAMA.

14 UNEARNED PREMIUMS

	<i>For the year ended 31 December 2016</i>			<i>For the year ended 31 December 2015</i>		
	<i>Reinsurers'</i>			<i>Reinsurers'</i>		
	<i>Gross SR</i>	<i>share SR</i>	<i>Net SR</i>	<i>Gross SR</i>	<i>share SR</i>	<i>Net SR</i>
Beginning balance	92,031,067	27,622,732	64,408,335	4,709,142	3,251,099	1,458,043
Premiums written during the year	208,090,001	59,165,649	148,924,352	144,740,920	48,075,866	96,665,054
Premiums earned during the year	(203,290,014)	(58,196,114)	(145,093,900)	(57,418,995)	(23,704,233)	(33,714,762)
Balance at end of the year	96,831,054	28,592,267	68,238,787	92,031,067	27,622,732	64,408,335

Note: Ceded premiums written during the year includes excess of loss premiums of SR 678,289 for the year ended 31 December 2016 (2015: SR 380,483).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

15 PAYABLES, ACCRUALS AND OTHERS

	<i>31 December 2016</i>		<i>31 December 2015</i>	
	<i>SR</i>		<i>SR</i>	
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>
Accrued human resources costs	3,628,514	-	3,006,954	-
Accrued external service fees	1,277,181	-	870,573	-
Accrued occupancy cost	15,399	-	-	-
Accrued Board of Directors fees	-	857,000	-	733,060
Accrued information technology expenses	242,272	-	155,644	-
Accrued travel expenses	67,771	-	21,575	-
Other accrued expenses	1,006,516	-	1,342,886	-
Payables – Claims	6,800,956	-	1,601,388	-
Payables – Third party administrative	297,127	-	626,555	-
Advance premiums	39,753	-	1,622,235	-
Commissions payable	7,506,888	-	3,293,004	-
Other payables	893,881	14,560	181,170	-
	<u>21,776,258</u>	<u>871,560</u>	<u>12,721,984</u>	<u>733,060</u>

16 UNEARNED REINSURANCE COMMISSION INCOME

	<i>31 December 2016</i>	<i>31 December 2015</i>
	<i>SR</i>	<i>SR</i>
Beginning balance	3,754,021	881,472
Commission received during the year	11,930,884	7,523,244
Commission earned during the year	(10,732,808)	(4,650,695)
Balance at the end of the year	<u>4,952,097</u>	<u>3,754,021</u>

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17 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders and key management personnel of the Company. Pricing policies and term of settlement with related parties are as per the commercial terms. The significant related party transactions for the year and the related balances at the end of the year are set out below:

Related party/ Nature of transactions	Amount of transactions		Balance 31 December 2016 SR	Balance 31 December 2015 SR
	For the year ended 31 December 2016 SR	For the year ended 31 December 2015 SR		
<u>Premium receivable from / Commission Payable to a related party</u>				
Arab National Bank (“ANB”) (Shareholder)				
Premiums receivable on policies sold through agency agreement with ANB agency	11,938,623	60,662,974	572,042	547,723
Commission payable on policies sold through agency agreement with ANB agency	(1,644,812)	(1,300,798)	(84,857)	(53,489)
<u>Reinsurance balances payable</u>				
American International Group (“AIG”) (Shareholder)				
Reinsurance premiums payable & XOL	15,189,388	12,424,079		
Reinsurance commission	(3,664,697)	(2,814,045)		
Reinsurance share of paid claims	(690,042)	(173,277)		
Due to American International Group (“AIG”)			6,768,162	9,128,538
Delaware American Life Insurance Company (Owned 100% by MetLife)				
Master Facultative Reinsurance Agreement				
Reinsurance premiums payable	2,599,670	1,831,141		
Reinsurance commission	(419,975)	(286,848)		
Reinsurance share of paid claims	(1,339,336)	(826,104)		
Accident & Health reinsurance agreement				
Reinsurance premiums payable	131,612	-		
Reinsurance commission	(14,575)	-		
Due to Delaware American Life Insurance Company			541,001	30,585

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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17 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

<i>Related party/ Nature of transactions</i>	<i>Amount of transactions</i>		<i>Balance 31 December 2016 SR</i>	<i>Balance 31 December 2015 SR</i>
	<i>For the year ended 31 December 2016 SR</i>	<i>For the year ended 31 December 2015 SR</i>		
Metropolitan Tower Life Insurance Company, of Newark, Delaware (Owned 100% by MetLife)				
Catastrophe Reinsurance agreement				
Reinsurance premiums	44,325	-	-	-
<u>Reinsurance balances receivable / (payable)</u>				
American Life Insurance Company “ALICO” (Owned 100% by MetLife)				
Reinsurance premiums (portfolio transfer)	14,799,727	11,429,627		
Reinsurance commission	(2,643,120)	(2,121,942)		
Reinsurance share of claims paid (portfolio transfer)	(27,668,020)	(28,865,808)		
American Life Insurance Company “ALICO” (Owned 100% by MetLife)			1,249,349	(7,505,330)
<u>Due from / (Due to) American Life Insurance Company “ALICO”</u>				
Due from related parties				
MetLife (Shareholder)				
General and administrative expenses paid on behalf of the Company and recharged to the Company	300,000	1,284,576		
Less: Administration Fees Income (portfolio transfer)	(1,570,831)	(754,182)		
Due from MetLife			1,745,571	474,740
Due to related parties				
American International Group (“AIG”) (Shareholder)				
General and administrative expenses paid on behalf of the Company and recharged to the Company	940,695	1,255,868	2,615,731	1,675,037

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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17 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

<i>Related party/ Nature of transactions</i>	<i>Amount of transactions</i>		<i>Balance</i>	<i>Balance</i>
	<i>For the year ended 31 December 2016 SR</i>	<i>For the year ended 31 December 2015 SR</i>	<i>31 December 2016 SR</i>	<i>31 December 2015 SR</i>
Commitments and Contingencies				
Arab National Bank (“ANB”) (Shareholder)				
Letters of Guarantee	-	-	3,473,849	3,538,097
Investment activities				
Arab National Bank (“ANB”) (Shareholder)				
Time Deposits	-	-	53,062,500	42,062,500
Special commission income on deposits	2,773,745	263,857	35,955	72,695
Held to Maturity Investment (investment in ANB Sukuk)	-	-	10,000,000	10,000,000
Special commission income on held to maturity investments	308,001	70,649	90,759	70,649
Key management personnel				
Salaries and other benefits	7,952,484	7,668,858	-	-
Board of Directors and Executive Committees’ fees	797,500	787,000	797,500	718,500

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
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18 EMPLOYEES' END OF SERVICE BENEFITS

	<i>31 December 2016 SR</i>	<i>31 December 2015 SR</i>
Beginning balance	1,037,486	382,882
Charged during the year	980,519	667,249
Paid during the year	(4,224)	(12,645)
At the end of the year	2,013,781	1,037,486

19 ZAKAT AND INCOME TAX

(a) Zakat charge for the year

The zakat provision is based on Saudi shareholders' share of capital of 48.02% (2015:48.02%)

	<i>For the year ended 31 December 2016 SR</i>	<i>For the year ended 31 December 2015 SR</i>
Saudi shareholders' capital (48.02%)	84,035,000	84,035,000
Book value of long term assets	(25,188,268)	(15,365,583)
Accumulated losses and other adjustments	(40,063,441)	(25,710,947)
	18,783,291	42,958,470
Adjusted net loss for the year	(7,943,329)	(13,725,063)
Saudi shareholders' share of zakat base computed at 48.02%	10,839,962	29,233,407

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

b) Income tax charge for the year

There was no income tax charge relating to the foreign shareholders for the year ended 31 December 2016 due to the net adjusted loss for the year, (same for 2015).

c) Movement in the provision for zakat during the year

The movement in the provision for zakat for the year/period comprises of:

	<i>31 December 2016 SR</i>	<i>31 December 2015 SR</i>
Beginning balance	615,473	-
Provided during the year	270,999	730,835
Increase / (decrease) in prior years provision	119,034	(115,362)
Payment made during the year	(481,848)	-
Ending balance	523,658	615,473

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
31 December 2016

19 ZAKAT AND INCOME TAX (Continued)

d) Status of zakat and income tax assessments

Tax/zakat return of the Company for the 12 months ending 31 December 2015 has been filed within the stipulated deadline. The final tax/zakat certificate has been received which is valid till 30 April 2017.

→During 2016 the Company received the following:

- GAZT letter No. 019000006784 dated 03 November 2016 requesting the Company to pay additional zakat of SR 351,479 for the year 2014 and Company filed an appeal during the legal period.
- GAZT letter No. 024000033080 dated 03 November 2016 requesting the Company to pay additional suppliers' withholding tax of SR 246,462 for the year 2014 (include SR58,323 as delay fines) and Company filed an appeal during the legal period.

→During 2015 the Company received the following:

- GAZT letter No. 206/16/1437 dated 22 October 2015 requesting for certain information in order to finalise the tax position for the period ended 31 December 2014 and Company has prepared and submitted GAZT queries during February 2016.
- GAZT letter no 4939/16/1436 dated 4 May 2015 requesting the Company to pay additional zakat of SR 516,880 and Company filed an appeal during the legal period.

The Company's management expects the success in defending all items raised by GAZT above is most likely; therefore, no additional provisions were provided for these items.

20 SHARE CAPITAL

The authorized, issued and paid-up share capital of the Company is SR 350 million divided into 35 million shares of SAR 10 each (31 December 2015: SR 175 million divided into 17.5 million shares of SR 10 each).

The Company held an extraordinary general assembly of its shareholders on 22 February 2016 to approve the increase in the share capital from SAR 175 million to SAR 350 million through rights issue. Based on the approval received from shareholders at the extraordinary general assembly, the Company proceeded successfully in March 2016 to raise SAR 175 million through a rights issue. Under the terms of the rights issue, the Company offered 17,500,000 ordinary new shares by way of rights to qualifying shareholders at an offer price of SR 10 per share at close of trading on the date of 22 February 2016 (the "Eligibility Date"). The rights were made on the ratio of one right for every one share held by shareholders as of the Eligibility Date. Rights issue transaction costs incurred amounting to SR 4,246,204 was charged to the statement of changes in shareholders' equity.

21 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>For the year ended 31 December 2016</i>		<i>For the year ended 31 December 2015</i>	
	SR		SR	
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>
Employees' costs	31,133,514	-	23,934,365	(90,421)
Legal and professional fees	2,371,085	286,170	2,390,942	222,769
Rent	2,204,347	-	1,014,281	-
Depreciation (Note 10)	2,452,343	-	2,734,028	-
Information technology expenses	3,013,216	-	2,460,467	-
Travel and lodging expenses	516,697	-	914,266	-
Board expenses	-	1,002,553	-	1,018,091
Others	1,805,985	123,324	1,856,624	34,437
	<u>43,497,187</u>	<u>1,412,047</u>	<u>35,304,973</u>	<u>1,184,876</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

22 RISK MANAGEMENT

Risk governance

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

Risk management structure

A cohesive organisational structure is established within the Company in order to identify, assess, monitor and control risks.

Board of directors

The apex of risk governance is the centralised oversight of 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 summarised below:

a) Operational / process risk

Operational / process risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial and reputation loss, and legal and regulatory consequences. The Company manages operational / process risk through appropriate controls, instituting segregation of duties and internal checks and balances, including internal audit and compliance.

b) Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed expectations. This could occur because the frequency or amounts of claims are more than expected. Insurance risk is monitored regularly by the Company to make sure the levels are within the projected frequency bands. The Company underwrites mainly accident and liability, property, marine, engineering, energy, extended warranty and health insurance.

The insurance risks arising from the above insurance contracts are mainly concentrated in the Kingdom of Saudi Arabia.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites accident and liability, property, marine, engineering, energy, extended warranty and health insurance. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Accident and Liability

Public liability

For public liability insurance, main risks are legal liabilities of the insured towards third party death, bodily injury or property damage arising out of insured premises, business operations or projects handled by the insured. This insurance policy is underwritten based on the turnover of the company or the value of the contract, nature / occupation of the premises, nature of contracts handled. The Company has reinsurance cover to limit the losses for any individual claim.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

22 RISK MANAGEMENT (continued)

b) Insurance risk (continued)

Motor

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims. The Company has reinsurance cover for such damage to limit losses for any individual claim.

Property

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has reinsurance cover for such damage to limit losses for any individual claim.

Marine

Marine cargo insurance is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in the total or partial loss of cargoes. For marine cargo insurance the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes. The Company has reinsurance cover to limit the losses for any individual claim.

Engineering

For engineering insurance, the main risks are loss or damage to the construction/erection works caused by fire, explosion, natural perils like flood, earthquake, hailstorm, etc. The Company has reinsurance cover for such risks to limit losses for any individual claim.

Other General

For other general business, the main risks are loss or damage to consumer goods and personal items. The Company has reinsurance cover for such risks to limit losses for any individual claim

Health

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risks and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company. The Company has reinsurance cover to limit the losses for any individual claim.

Individual Protection & Saving

For individual protection & saving portfolio, the main risk is the mortality and morbidity of the insured and the risk of anti-selection associated with this. In addition, higher than anticipated cancellation rates may result an expense overruns and may extend the time period that it will take for the portfolio to attain a critical mass.

Group Protection & Saving

For group Protection & Saving portfolio, the main risks are mortality and morbidity of the insured. The mortality risk is compounded due to the concentration of lives. The Company has a clearly defined underwriting strategy. There are various levels of underwriting carried out, including deceleration of good health, medical questionnaire, reports from specialists/consultants and comprehensive medical tests. The Company also looks at the nature of activity carried out by the group, group size, mix of lives by geographical regions, cultural background and manual/non-manual worker split.

The individual and group Protection & Saving portfolio is protected through an efficient reinsurance arrangements. This protects the Company from adverse mortality/morbidity experience.

Sensitivity analysis

A hypothetical 10% change in the net claims ratio would impact income by approximately SR 12,401,152 (2015: SR 3,096,493) annually in aggregate.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
31 December 2016

22 RISK MANAGEMENT (continued)

c) Reinsurance risk

In order to minimise its financial exposure to potential losses arising from large claims, the Company enters into agreements with other parties for reinsurance purpose. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts. To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors the concentrations of credit risk arising from similar geographic regions, activities and economic characteristics of reinsurers.

Reinsurance ceded contracts do not relieve the Company from its obligations to the policyholders and as a result the Company remains liable for a portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements. The credit exposure for outstanding claims in this connection is:

	<i>31 December 2016</i>	<i>31 December 2015</i>
	<i>SR</i>	<i>SR</i>
USA	1,550,884	760,787
Middle East including Kingdom of Saudi Arabia	16,091,888	12,492,021
	<hr/>	<hr/>
Reinsurers' share of outstanding claims (note 7)	17,642,772	13,252,808
	<hr/> <hr/>	<hr/> <hr/>

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due.

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 liabilities on the Company's statement of financial position, other than employees' terminal benefits, are contractually payable on a current basis.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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22 RISK MANAGEMENT (continued)

d) Liquidity risk (continued)

Maturity profiles

The table below summarises the maturity profile of the assets and liabilities of the Company based on expected maturities:

Maturity analysis on expected maturity bases

		31 December 2016		
	Notes	Current SR	Non-current SR	Total SR
INSURANCE OPERATIONS' ASSETS				
Cash and cash equivalents	5	44,784,851	-	44,784,851
Time deposits	11	15,000,000	-	15,000,000
Premiums receivable, net	6	53,391,350	-	53,391,350
Reinsurers' balances receivable		1,249,349	-	1,249,349
Reinsurers' share of unearned premiums	14	28,592,267	-	28,592,267
Reinsurers' share of mathematical reserves	1.1	234,842,010	-	234,842,010
Reinsurers' share of outstanding claims	7	33,804,252	-	33,804,252
Deferred policy acquisition costs	8	9,083,617	-	9,083,617
Due from related parties		1,745,571	-	1,745,571
Prepaid expenses and other assets	9	23,482,602	11,779,121	35,261,723
Due from shareholders operations		2,904,525	-	2,904,525
Property and equipment, net	10	-	3,776,580	3,776,580
TOTAL INSURANCE OPERATIONS' ASSETS		448,880,394	15,555,701	464,436,095
SHAREHOLDERS' ASSETS				
Cash and cash equivalents	5	104,001,918	-	104,001,918
Time deposits	11	49,000,000	-	49,000,000
Held to maturity	12(i)	-	49,457,138	49,457,138
Prepaid expenses and other assets	9	750,301	-	750,301
Available for sale investment	12(ii)	-	3,175,163	3,175,163
Statutory deposit	13	-	35,000,000	35,000,000
Commission on statutory deposit	13	-	366,774	366,774
TOTAL SHAREHOLDERS' ASSETS		153,752,219	87,999,075	241,751,294
INSURANCE OPERATIONS' LIABILITIES				
Gross unearned premiums	14	96,831,054	-	96,831,054
Gross outstanding claims	7	81,112,229	-	81,112,229
Gross mathematical reserves	1.1	234,842,010	-	234,842,010
Payables, accruals and others	15	21,776,258	-	21,776,258
Reinsurance balances payable		20,292,935	-	20,292,935
Unearned reinsurance commission income	16	4,952,097	-	4,952,097
Due to related parties	17	2,615,731	-	2,615,731
Employees' terminal benefits	18	-	2,013,781	2,013,781
TOTAL INSURANCEOPERATIONS' LIABILITIES		462,422,314	2,013,781	464,436,095
SHAREHOLDERS' LIABILITIES				
Zakat	19	523,658	-	523,658
Payables, accruals and others	15	871,560	-	871,560
Commission on statutory deposit		366,774	-	366,774
Due to insurance operations		2,904,525	-	2,904,525
TOTAL SHAREHOLDERS' LIABILITIES		4,666,517	-	4,666,517

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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22 RISK MANAGEMENT (continued)

d) Liquidity risk (continued)

Maturity analysis on expected maturity bases

		31 December 2015		
	Notes	Current SR	Non-current SR	Total SR
INSURANCE OPERATIONS' ASSETS				
Cash and cash equivalents	5	64,689,241	-	64,689,241
Premiums receivable, net	6	20,470,760	15,190,663	35,661,423
Reinsurers' share of unearned premiums	14	4,594,313	23,028,419	27,622,732
Reinsurers' share of mathematical reserves	1.1	251,654,626	-	251,654,626
Reinsurers' share of outstanding claims	7	19,923,644	-	19,923,644
Deferred policy acquisition costs	8	2,964,552	1,893,311	4,857,863
Due from related parties		474,740	-	474,740
Prepaid expenses and other assets	9	10,035,058	3,715,008	13,750,066
Due from shareholders operations		8,010,111	-	8,010,111
Property and equipment, net	10	-	5,757,153	5,757,153
TOTAL INSURANCE OPERATIONS' ASSETS		382,817,045	49,584,554	432,401,599
SHAREHOLDERS' ASSETS				
Cash and cash equivalents	5	66,314,800	-	66,314,800
Held to maturity	12(i)	-	10,000,000	10,000,000
Prepaid expenses and other assets	9	944,930	-	944,930
Available for sale investment	12(ii)	-	3,175,163	3,175,163
Statutory deposit	13	-	17,500,000	17,500,000
Commission on statutory deposit	13	-	174,521	174,521
TOTAL SHAREHOLDERS' ASSETS		67,259,730	30,849,684	98,109,414
INSURANCE OPERATIONS' LIABILITIES				
Gross unearned premiums	14	68,547,897	23,483,170	92,031,067
Gross outstanding claims	7	39,652,073	-	39,652,073
Gross mathematical reserves	1.1	251,654,626	-	251,654,626
Payables, accruals and others	15	12,721,984	-	12,721,984
Reinsurance balances payable		29,875,305	-	29,875,305
Unearned reinsurance commission income	16	831,286	2,922,735	3,754,021
Due to related parties	17	1,675,037	-	1,675,037
Employees' terminal benefits	18	-	1,037,486	1,037,486
TOTAL INSURANCE OPERATIONS' LIABILITIES		404,958,208	27,443,391	432,401,599
SHAREHOLDERS' LIABILITIES				
Zakat	19	615,473	-	615,473
Payables, accruals and others	15	733,060	-	733,060
Commission on statutory deposit	13	174,521	-	174,521
Due to insurance operations		8,010,111	-	8,010,111
TOTAL SHAREHOLDERS' LIABILITIES		9,533,165	-	9,533,165

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22 RISK MANAGEMENT (continued)

d) Liquidity risk (continued)

The table below summarizes the maturity profile of the financial assets and financial liabilities of the Company based on remaining expected obligations, including premiums receivable. For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognized insurance liabilities. Unearned premiums and the reinsurance share of unearned premiums have been excluded from the analysis as they are not contractual obligations. Repayments that are subject to notice are treated as if notice were to be given immediately.

31 December 2016	Notes	No fixed maturity SR	Up to 1 year SR	More than 1 year SR	Total SR
Insurance operations' assets					
Cash and cash equivalents	5	-	44,784,851	-	44,784,851
Time deposits	11	-	15,000,000	-	15,000,000
Premiums receivable, net	6	-	53,391,350	-	53,391,350
Reinsurers' balances receivable	-	-	1,249,349	-	1,249,349
Reinsurers' share of outstanding claims	7	-	33,804,252	-	33,804,252
Due from related parties	17	-	1,745,571	-	1,745,571
Due from shareholders operations	-	2,904,525	-	-	2,904,525
Prepaid expenses and other assets	9	11,779,121	23,482,602	-	35,261,723
		<u>14,683,646</u>	<u>173,457,975</u>	<u>-</u>	<u>188,141,621</u>
Shareholders' assets					
Cash and cash equivalents	5	-	104,001,918	-	104,001,918
Time deposits	11	-	49,000,000	-	49,000,000
Prepaid expenses and other assets	9	-	750,301	-	750,301
Held to maturity investment	12(i)	-	-	49,457,138	49,457,138
Available for sale investment	12(ii)	3,175,163	-	-	3,175,163
Statutory deposit	13	35,000,000	-	-	35,000,000
Commission on statutory deposit	13	366,774	-	-	366,774
		<u>38,541,937</u>	<u>153,752,219</u>	<u>49,457,138</u>	<u>241,751,294</u>
Insurance operations' liabilities					
Gross outstanding claims	7	-	81,112,229	-	81,112,229
Payables, accruals and others	15	-	21,776,258	-	21,776,258
Reinsurance balance payable	-	-	20,292,935	-	20,292,935
Due to related parties	17	-	2,615,731	-	2,615,731
Employees' terminal benefits	18	2,013,781	-	-	2,013,781
Total Insurance operations' liabilities		<u>2,013,781</u>	<u>125,797,153</u>	<u>-</u>	<u>-127,810,934</u>
Shareholders' liabilities					
Zakat	19 (c)	-	523,658	-	523,658
Payables, accruals and others	15	-	871,560	-	871,560
Due to insurance operations	-	2,904,525	-	-	2,904,525
		<u>2,904,525</u>	<u>1,395,218</u>	<u>-</u>	<u>4,299,743</u>

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22 RISK MANAGEMENT (continued)

d) Liquidity risk (continued)

31 December 2015	Notes	No fixed maturity SR	Up to 1 year SR	More than 1 year SR	Total SR
Insurance operations' assets					
Cash and cash equivalents	5	-	64,689,241	-	64,689,241
Premiums receivable, net	6	-	35,661,423	-	35,661,423
Reinsurers' share of outstanding claims	7	-	19,923,644	-	19,923,644
Due from related parties	17	-	474,740	-	474,740
Prepaid expenses and other assets	9	-	13,750,066	-	13,750,066
Due from shareholders operations		8,010,111	-	-	8,010,111
		<u>8,010,111</u>	<u>134,499,114</u>	<u>-</u>	<u>142,509,225</u>
Shareholders' assets					
Cash and cash equivalents	5	-	66,314,800	-	66,314,800
Held to maturity investment	12(i)	-	-	10,000,000	10,000,000
Prepaid expenses and other assets	9	-	944,930	-	944,930
Available for sale investment	12(ii)	3,175,163	-	-	3,175,163
Statutory deposit	13	17,500,000	-	-	17,500,000
Commission on statutory deposit	13	174,521	-	-	174,521
		<u>20,849,684</u>	<u>67,259,730</u>	<u>10,000,000</u>	<u>98,109,414</u>
Insurance operations' liabilities					
Gross outstanding claims	7	-	39,652,073	-	39,652,073
Payables, accruals and others	15	-	12,721,984	-	12,721,984
Reinsurance balance payable		-	29,875,305	-	29,875,305
Due to related parties	17	-	1,675,037	-	1,675,037
Employees' terminal benefits	18	1,037,486	-	-	1,037,486
Total Insurance operations' liabilities		<u>1,037,486</u>	<u>83,924,399</u>	<u>-</u>	<u>84,961,885</u>
Shareholders' liabilities					
Zakat	19 (c)	-	615,473	-	615,473
Payables, accruals and others	15	-	733,060	-	733,060
Commission on statutory deposit	13	-	174,521	-	174,521
Due to insurance operations		8,010,111	-	-	8,010,111
		<u>8,010,111</u>	<u>1,523,054</u>	<u>-</u>	<u>9,533,165</u>

Liquidity profile

None of the financial liabilities on the statement of financial position are based on discounted cash flows and are all contractually payable on the basis as set out above.

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22 RISK MANAGEMENT (continued)

e) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial instruments held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- To minimize its exposure to significant losses from reinsurance insolvencies, the Company evaluates the financial condition of its reinsurance counterparties. Accordingly, as a pre-requisite, the parties with whom reinsurance is affected are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company only enters into insurance and reinsurance contracts with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.
- Premiums receivable are mainly receivable from individuals and corporate customers (unrated). The Company seeks to limit the credit risk with respect individuals and corporate customers by setting credit limits and monitoring outstanding receivables.
- Cash and cash equivalents are maintained with local banks approved by management. Accordingly, as a pre-requisite, the banks with whom cash and cash equivalents are maintained are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company's investments mainly comprise time deposits and sukuk with local commercial banks with investment grade credit rating in addition to sukuk offered by the government. The Company does not have an internal grading mechanism for investments. The Company limits its credit risk on investments by setting out a maximum exposure limit for each bank based on its credit rating.

Premiums receivable comprise a large number of receivables from individual and corporate clients. The five largest premium receivable accounts constitute 30% of premiums receivable as at 31 December 2016 (31 December 2015: 62%).

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

	<i>31 December 2016</i>		
	<i>SR</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
Cash and cash equivalents	44,784,851	104,001,918	148,786,769
Premiums receivable, net	53,391,350	-	53,391,350
Reinsurers' balances receivable	1,249,349	-	1,249,349
Reinsurers' share of outstanding claims	33,804,252	-	33,804,252
Employee receivables	1,813,824	-	1,813,824
Time deposits	15,000,000	49,000,000	64,000,000
Available for sale investment	-	3,175,163	3,175,163
Held to maturity	-	49,457,138	49,457,138
Statutory deposit	-	35,000,000	35,000,000
Commission on statutory deposit	-	366,774	366,774
	<u>150,043,626</u>	<u>241,000,993</u>	<u>391,044,619</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
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22 RISK MANAGEMENT (continued)

e) Credit risk (continued)

	31 December 2015		
	SR		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
Cash and cash equivalents	64,689,241	66,314,800	131,004,041
Premiums receivable, net	35,661,423	-	35,661,423
Reinsurers' share of outstanding claims	19,923,644	-	19,923,644
Employee receivables	1,282,601	-	1,282,601
Available for sale investment	-	3,175,163	3,175,163
Held to maturity	-	10,000,000	10,000,000
Statutory deposit	-	17,500,000	17,500,000
Commission on statutory deposit	-	174,521	174,521
	<u>121,556,909</u>	<u>97,164,484</u>	<u>218,721,393</u>

f) Special commission rate risk

Special commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company has no significant exposure to special commission rate risk.

The sensitivity of the income is the effect of the assumed changes in the special commission rates, with all other variable held constant, on the Company's income for one year, based on the floating rate financial assets held at 31 December 2016. As at year end, the Company had floating rate HTM investment amounted to SR 49 M as at 31 December 2016 (2015 SR 10 M) and the impact of any commission rate changes on the net income of this investment is not expected to be significant.

g) Currency risk

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

Management believes that there is minimal risk of significant losses due to exchange rate fluctuation as the majority of monetary assets and liabilities are in currencies linked to the Saudi Riyal. In addition, as the Company's foreign currency transactions are primarily in US dollars which are pegged to the Saudi Riyal. Foreign exchange gains and losses are not significant and have not been disclosed separately.

h) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company has investments in unquoted floating rate 'sukuks' and investment in Najm for Insurance Services Company that have been classified under "held to maturity" and "available for sale" respectively (see note 12). The Company has no significant market risk with regards to its investments as all its investments are kept at cost.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
31 December 2016

22 RISK MANAGEMENT (continued)

i) Capital management

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 to ensure that it is able to continue as going concern and comply with SAMA's capital requirements in the Kingdom of Saudi Arabia while maximising the return to stakeholders through the equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital and reserves.

The operations of the Company are subject to local regulatory requirements within the jurisdiction where it is incorporated. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimise the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise.

The Company continuously reassesses its capital needs to maintain sufficient liquid resources and accordingly comply with the prescribed requirements for maintaining solvency margins (see note 20).

j) Regulatory framework risk

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

k) Fair values of financial instruments

Financial instruments consist of financial assets and financial liabilities.

Financial assets of the Company include cash and cash equivalents, statutory deposit, receivables, investment and reinsurance share of outstanding claims. Its financial liabilities include gross outstanding claims, reinsurance balances payable, accrued expenses and other liabilities

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.

The fair value of the Company's financial assets and liabilities are not materially different from their carrying values.

23 BASIC AND DILUTED LOSS PER SHARE – Restated

Basic and diluted loss per share for the year has been calculated by dividing the net loss for the year by the weighted average number of outstanding shares at the year end.

The weighted average number of shares has been retrospectively adjusted for all prior years to reflect the bonus element of the rights issue as required by IAS 33, "Earnings per share" as follows:

NOTES TO THE FINANCIAL STATEMENTS (Continued)
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23 BASIC AND DILUTED LOSS PER SHARE – Restated (continued)

	<i>For the year ended 31 December 2016 SR</i>	<i>For the year ended 31 December 2015 SR</i>
Issued ordinary shares at the beginning of the year	17,500,000	17,500,000
Adjusted rights issue	16,424,180	-
Effects of rights issue of shares	-	12,250,000
Weighted average number of ordinary shares	33,924,180	29,750,000

The weighted average number of ordinary shares for prior year is calculated using an adjustment factor of 1.7, which is a ratio of the theoretical ex-rights of SR 33.52 and the closing price per share of SR 57.04 on 22 February 2016, the last day on which the shares were traded before the rights issue.

The basic and diluted earnings per share are as follows:

	<i>For the year ended 31 December 2016 SR</i>	<i>For the year ended 31 December 2015 SR</i>
Net loss before Zakat for the year	(21,855,235)	(31,497,529)
Weighted average number of ordinary shares	33,924,180	29,750,000
Basic and diluted (loss) per share	(0.64)	(1.06)

24 OPERATING LEASE

The minimum future lease payment for the use of the Company's premises as of 31 December 2016 aggregates to SR 3.86 million (31 December 2015: SR5.21M) including SR1.29M related to the year ending 31 December 2017 (31 December 2015: SR1.35M related to the year ended 31 December 2016).

25 SEGMENT INFORMATION

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

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

Segment liabilities do not include due to shareholders operations, employees' terminal benefits, reinsurers' balances payable, accrued expenses and other liabilities.

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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25 SEGMENT INFORMATION (continued)

a) Statement of insurance operations

	<i>For the year ended 31 December 2016</i>				
	<i>Protection & Savings SR</i>	<i>Health Insurance SR</i>	<i>Motor Insurance SR</i>	<i>Other General Insurance SR</i>	<i>Total SR</i>
Gross written premiums	24,198,511	127,311,630	13,572,220	43,007,640	208,090,001
Reinsurance premiums ceded	(16,781,403)	(2,724,727)	-	(38,981,230)	(58,487,360)
Excess of loss premiums	(24,306)	-	(258,885)	(395,098)	(678,289)
Net written premiums	7,392,802	124,586,903	13,313,335	3,631,312	148,924,352
Net changes in unearned premiums	(778,781)	2,646,606	(5,449,774)	(248,505)	(3,830,454)
Net earned premiums	6,614,021	127,233,509	7,863,561	3,382,807	145,093,898
Reinsurance commission income	2,944,852	496,302	-	7,291,654	10,732,808
Other underwriting income	1,570,831	-	4,156,226	218,753	5,945,810
Underwriting revenue	11,129,704	127,729,811	12,019,787	10,893,214	161,772,516
Gross claims paid	(32,888,273)	(89,514,394)	(4,249,046)	(743,134)	(127,394,847)
Reinsurers' share of claims paid	28,893,037	1,339,336	-	730,503	30,962,876
Net claims paid	(3,995,236)	(88,175,058)	(4,249,046)	(12,631)	(96,431,971)
Changes in outstanding claims	(3,868,164)	(20,310,256)	(3,296,619)	(104,510)	(27,579,549)
Net claims incurred	(7,863,400)	(108,485,314)	(7,545,665)	(117,141)	(124,011,520)
Commissions incurred	(1,322,446)	(8,364,664)	(1,128,273)	(4,674,600)	(15,489,983)
Inspection and supervisory fees	(116,899)	(1,953,259)	(40,589)	(208,385)	(2,319,132)
Other direct underwriting expense	-	(930,853)	(120,027)	(195,850)	(1,246,730)
Doubtful debt expense	(71,638)	(2,248,040)	(652,558)	765	(2,971,471)
Underwriting expenses	(9,374,383)	(121,982,130)	(9,487,112)	(5,195,211)	(146,038,836)
Underwriting result	1,755,321	5,747,681	2,532,675	5,698,003	15,733,680
Unallocated expenses					(43,497,187)
Unallocated special commission income					1,445,393
Net deficit for the year from insurance operations					(26,318,114)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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25 SEGMENT INFORMATION (continued)

a) Statement of insurance operations (continued)

	<i>For the year ended 31 December 2015</i>				
	<i>Protection & Savings SR</i>	<i>Health Insurance SR</i>	<i>Motor Insurance SR</i>	<i>Other General Insurance SR</i>	<i>Total SR</i>
Gross written premiums	16,658,472	90,989,100	190,439	36,902,909	144,740,920
Reinsurance premiums ceded	(11,684,553)	(1,858,145)	-	(34,152,685)	(47,695,383)
Excess of loss premiums	(3,654)	-	(1,684)	(375,145)	(380,483)
Net written premiums	4,970,265	89,130,955	188,755	2,375,079	96,665,054
Net changes in unearned premiums	(878,973)	(61,259,999)	(168,962)	(642,357)	(62,950,291)
Net earned premiums	4,091,292	27,870,956	19,793	1,732,722	33,714,763
Reinsurance commission income	2,250,660	274,211	-	2,125,824	4,650,695
Other underwriting income	754,181	-	1,178,982	-	1,933,163
Underwriting revenue	7,096,133	28,145,167	1,198,775	3,858,546	40,298,621
Gross claims paid	(30,210,371)	(10,703,298)	(880)	(474,879)	(41,389,428)
Reinsurers' share of claims paid	28,565,808	826,104	-	473,276	29,865,188
Net claims paid	(1,644,563)	(9,877,194)	(880)	(1,603)	(11,524,240)
Changes in outstanding claims	(1,963,533)	(15,876,199)	(173,114)	(1,427,852)	(19,440,698)
Net claims incurred	(3,608,096)	(25,753,393)	(173,994)	(1,429,455)	(30,964,938)
Commissions incurred	(681,090)	(1,114,641)	(1,625)	(1,487,305)	(3,284,661)
Inspection and supervisory fees	(78,066)	(424,604)	(131)	(45,574)	(548,375)
Other direct underwriting expense	-	(367,695)	-	(27,168)	(394,863)
Doubtful debt expense	(28,371)	(469,936)	(1,292)	(732,701)	(1,232,300)
Underwriting expenses	(4,395,623)	(28,130,269)	(177,042)	(3,722,203)	(36,425,137)
Underwriting result	2,700,510	14,898	1,021,733	136,343	3,873,484
Unallocated expenses					(35,304,973)
Unallocated special commission income					156,164
Net deficit for the year from insurance operations					(31,275,325)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

25 SEGMENT INFORMATION (continued)

b) Insurance operations' assets and liabilities

	December 31, 2016					
	<i>Protection & Savings SR</i>	<i>Health Insurance SR</i>	<i>Motor Insurance SR</i>	<i>Other General Insurance SR</i>	<i>Unallocated SR</i>	<i>Total SR</i>
Insurance operations' assets						
Cash and cash equivalents	-	31,000,000	-	-	13,784,851	44,784,851
Premiums receivable, net	624,199	34,600,805	5,052,236	13,114,110	-	53,391,350
Reinsurers' balances receivable	1,249,349	-	-	-	-	1,249,349
Reinsurers' share of unearned premiums	206,192	282,253	-	28,103,822	-	28,592,267
Reinsurers' share of mathematical reserves	234,842,010	-	-	-	-	234,842,010
Reinsurers' share of outstanding claims	15,715,914	852,998	-	17,235,340	-	33,804,252
Deferred policy acquisition costs	262,429	5,132,546	763,885	2,924,757	-	9,083,617
Due from related parties	-	-	-	-	1,745,571	1,745,571
Prepaid expenses and other assets	32,926	19,574,671	3,430,779	377,560	11,845,787	35,261,723
Time deposits	-	-	-	-	15,000,000	15,000,000
Due from shareholders	-	-	-	-	-	-
operations	-	-	-	-	2,904,525	2,904,525
Property and equipment, net	-	-	-	-	3,776,580	3,776,580
TOTAL INSURANCE OPERATIONS' ASSETS	252,933,019	91,443,273	9,246,900	61,755,589	49,057,314	464,436,095
Insurance operations' liabilities						
Gross unearned premiums	1,863,946	59,775,272	5,618,736	29,573,100	-	96,831,054
Gross outstanding claims	21,547,611	37,101,310	3,469,732	18,993,576	-	81,112,229
Gross mathematical reserves	234,842,010	-	-	-	-	234,842,010
Payables, accruals and others	1,093,708	11,547,455	1,027,546	1,848,298	6,259,251	21,776,258
Reinsurance balances payable	1,760,672	793,867	99,295	17,639,101	-	20,292,935
Unearned reinsurance commission income	45,489	81,114	-	4,825,494	-	4,952,097
Due to related parties	-	-	-	-	2,615,731	2,615,731
Employees' terminal benefits	-	-	-	-	2,013,781	2,013,781
TOTAL INSURANCE OPERATIONS' LIABILITIES	261,153,436	109,299,018	10,215,309	72,879,569	10,888,763	464,436,095

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
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25 SEGMENT INFORMATION (continued)

b) Insurance operations' assets and liabilities (continued)

	December 31, 2015					
	Protection & Savings SR	Health Insurance SR	Motor Insurance SR	Other General Insurance SR	Unallocated SR	Total SR
Insurance operations' assets						
Cash and cash equivalents	-	50,000,000	-	-	14,689,241	64,689,241
Premiums receivable, net	318,524	17,020,050	85,666	18,237,183	-	35,661,423
Reinsurers' share of unearned premiums	178,864	147,265	-	27,296,603	-	27,622,732
Reinsurers' share of mathematical reserves	251,654,626	-	-	-	-	251,654,626
Reinsurers' share of outstanding claims	12,222,662	300,053	-	7,400,929	-	19,923,644
Deferred policy acquisition costs	153,059	2,320,193	13,983	2,370,628	-	4,857,863
Due from related parties	-	-	-	-	474,740	474,740
Prepaid expenses and other assets	17,742	3,603,685	1,180,363	251,632	8,696,644	13,750,066
Due from shareholders operations	-	-	-	-	8,010,111	8,010,111
Property and equipment, net	-	-	-	-	5,757,153	5,757,153
TOTAL INSURANCE OPERATIONS' ASSETS	264,545,477	73,391,246	1,280,012	55,556,975	37,627,889	432,401,599
Insurance operations' liabilities						
Gross unearned premiums	1,057,837	62,286,890	168,962	28,517,378	-	92,031,067
Gross outstanding claims	14,186,195	16,238,108	173,114	9,054,656	-	39,652,073
Gross mathematical reserves	251,654,626	-	-	-	-	251,654,626
Payables, accruals and others	(7,474)	5,416,566	7,010	1,590,248	5,715,634	12,721,984
Reinsurance balances payable	8,158,119	(50,935)	4,856	21,763,265	-	29,875,305
Unearned reinsurance commission income	44,440	36,828	-	3,672,753	-	3,754,021
Due to related parties	-	-	-	-	1,675,037	1,675,037
Employees' terminal benefits	-	-	-	-	1,037,486	1,037,486
TOTAL INSURANCE OPERATIONS' LIABILITIES	275,093,743	83,927,457	353,942	64,598,300	8,428,157	432,401,599

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

26 COMMITMENTS AND CONTINGENCIES

- At 31 December 2016, Letters of Guarantee amounting to SR 3,543,980 were outstanding in favour of medical providers and general insurance tenders (SR 3,538,097 as at 31 December 2015). These letters of guarantee were issued against cash margin amounting to SR3,543,980 and SR 3,538,097 as at 31 December 2016 and 31 December 2015 respectively which are classified under prepaid expenses and other assets in the statement of financial position.
- The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business relating to policyholders' insurance claims. 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 litigation) will have a material effect on its performance and financial position.

27 SIGNIFICANT ACCOUNTING POLICIES AND AMENDMENTS TO STANDARDS

The accounting policies used in the preparation of these annual financial statements are consistent with those used in the preparation of the Company's annual financial statements for the year ended 31 December 2015, except for the adoption of new standards and amendments to existing standards effective for the annual period beginning 01 January 2015.

New and amended standards issued and adopted

Amendments to IAS 19 applicable for annual periods beginning on or after 01 July 2014 are 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. A summary of the amendments is contained as under:

- IFRS 2 amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.
- IFRS 3 – "business combinations" amended to clarify the classification and measurement of contingent consideration in a business combination. It has been further amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in IFRS 11.
- IFRS 8 – "operating segments" has been amended to explicitly require disclosure of judgments made by management in applying aggregation criteria.
- IFRS 13 has been amended to clarify measurement of interest free short term receivables and payables at their invoiced amount without discounting, if the effect of discounting is immaterial. It has been further amended to clarify that the portfolio exception potentially applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.
- IAS 16 – "Property plant and equipment" and IAS 38 – "intangible assets": – the amendments clarify the requirements of revaluation model recognizing that the restatement of accumulated depreciation (amortisation) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 – "related party disclosures"– the definition of a related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or indirectly.
- IAS 40 – "investment property" clarifies that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition constitutes a business combination.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

27 SIGNIFICANT ACCOUNTING POLICIES AND AMENDMENTS TO STANDARDS (continued)

Standards issued but not yet effective

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

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work though the adoption date is subject to the recently issued Exposure Draft on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015.

However, on 19 November 2013, the IASB issued IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9) amending IFRS 9 to include the new general hedge accounting model. In its February 2014 meeting, the IASB decided that IFRS 9 would be mandatorily effective for years ending on or after 31 December 2018.

28 COMPARATIVE FIGURES

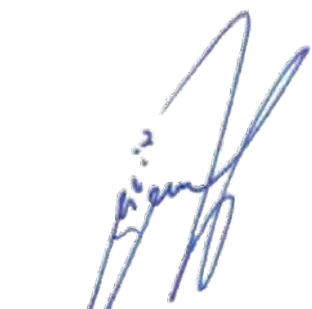
Certain of the comparative year amounts have been reclassified to conform to the presentation in the current year, the effects of which are not material.

29 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 9th March 2017 corresponding to (10 Jumada al-Thani 1438H).



Managing Director/
Chief Executive Officer



Chief Financial Officer