Salama Cooperative Insurance Company
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS

AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

SALAMA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

PKF Al-Bassam & Al-Nemer
Allied Accountants

MOORE STEPHENS
EL SAYED EL AYOUTY & CO.
Certified Public Accountants

P.O. Box 15651
Jeddah 21454
Kingdom of Saudi Arabia

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF SALAMA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

Scope of audit

We have audited the accompanying statement of financial position of Salama Cooperative Insurance Company – a Saudi Joint Stock Company – (the "Company") as at 31 December 2016, and the related statements of insurance operations and accumulated surplus, shareholders' operations, shareholders' comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders' operations cash flows for the year then ended and attached notes 1 to 26 which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards, the provisions of 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 Regulations for Companies and the Company's By-laws with respect to the preparation and presentation of the financial statements.

Emphasis of matters

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 issued by the Saudi Organisation for Certified Public Accountants ("SOCPA").

for PKF Al-Bassam & Al-Nemer
Allied Accountants

Ibrahim A. Al Bassam
Certified Public Accountant
Licence No. 337

المحاسبون المتحالفون
ترخيص رقم
520/11/323
Licence No.:
Allied Accountants

for Moor Stephens
El Sayed El Ayouty & Co.

Mohamed El Ayouty
Certified Public Accountant
Licence No. 211

5 March 2017
6 Jamaad Al Thani 1438H
Jeddah, Kingdom of Saudi Arabia

السيد العيوطي وشركاه
محاسبون ومراجعون قانونيون
ترخيص رقم / ٣٥
EL SAYED EL AYOUTY & CO.
CERTIFIED PUBLIC ACCOUNTANTS
License No 35

Salama Cooperative Insurance Company – A Saudi Joint Stock Company

STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Note	2016 SR'000	2015 SR'000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3(a)	**58,019**	2,691
Term deposits	3(b)	**14,783**	10,962
Premiums receivable, net	4	**99,109**	59,772
Reinsurance receivables, net	5	**509**	1,553
Deferred policy acquisition costs	7	**10,590**	5,215
Prepayments and other receivables	10	**21,407**	14,922
FVIS investments	9(a)	**254,516**	159,137
Reinsurers' share of unearned premiums	6	**4,752**	6,063
Reinsurers' share of outstanding claims	8	**6,376**	7,408
Held to maturity investments	9(b)	**35,947**	36,100
Furniture, fittings and office equipment	11	**2,607**	2,340
Due from shareholders' operations		**-**	1,991
Total insurance operations' assets		**508,615**	308,154
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3(a)	**11**	8
FVIS investments	9(a)	**145,210**	141,684
Available-for-sale investments	9(c)	**1,923**	1,923
Prepayments and other receivables	10	**132**	109
Held to maturity investments	9(b)	**13,755**	10,147
Statutory deposit	14	**25,000**	25,000
Return on statutory deposits		**1,645**	1,068
Due from insurance operations		**21,199**	-
Total shareholders' assets		**208,875**	179,939
TOTAL ASSETS		**717,490**	488,093

Chief Financial Officer

Chief Executive Officer

Chairman

The accompanying notes 1 to 26 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION (continued)
At 31 December 2016

	Note	2016 SR'000	2015 SR'000
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Unearned premiums	6	**280,969**	172,147
Outstanding claims	8	**147,176**	98,107
Unearned commission income	12	**1,287**	1,553
Other technical reserves		**3,695**	2,584
Policyholders' claims		**7,572**	5,061
Reinsurance payables		**6,449**	2,563
Accruals and other payables	13	**25,715**	16,252
Employees' end of service benefits		**8,382**	6,693
Due to shareholder operations		**21,199**	-
		502,444	304,960
Insurance operations' surplus			
Accumulated surplus from insurance operations		**6,171**	3,194
Total insurance operations' liabilities and surplus		**508,615**	308,154
SHAREHOLDERS' LIABILITIES AND EQUITY			
Liabilities			
Return on statutory deposit payable to SAMA		**1,645**	1,068
Accrued zakat	17	**14,054**	5,008
Due to insurance operations		**-**	1,991
Total shareholders' liabilities		**15,699**	8,067
Shareholders' equity			
Share capital	15	**250,000**	250,000
Accumulated losses		**(56,824)**	(78,128)
Total shareholders' equity		**193,176**	171,872
Total shareholders' liabilities and equity		**208,875**	179,939
TOTAL LIABILITIES, SURPLUS AND EQUITY		**717,490**	488,093

Chief Financial Officer

Chief Executive Officer

Chairman

The accompanying notes 1 to 26 form part of these financial statements.

Salama Cooperative Insurance Company – A Saudi Joint Stock Company

STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS

For the year ended 31 December 2016

	Notes	**2016 SR'000**	2015 SR'000
REVENUE			
Gross written premiums	6	**571,353**	391,740
Less: Reinsurance premiums ceded	6	**(13,668)**	(14,325)
Less: Excess of loss premiums	6	**(14,587)**	(8,327)
Net written premiums		**543,098**	369,088
Changes in net unearned premiums		**(110,133)**	(27,640)
Net premiums earned	6	**432,965**	341,448
Net reinsurance commissions earned	12	**3,735**	3,767
Other underwriting income		**601**	1,362
Net revenue		**437,301**	346,577
COSTS AND EXPENSES			
Gross claims paid	8	**283,758**	280,143
Less: Reinsurers' share	8	**(3,898)**	(5,566)
Net claims paid		**279,860**	274,577
Changes in net outstanding claims and IBNR		**50,101**	17,055
Net claims incurred	8	**329,961**	291,632
Changes in other technical reserves		**1,111**	(1,947)
Policy acquisition costs	7	**15,612**	11,163
Other operating expenses		**14,842**	7,818
Net costs and expenses		**361,526**	308,666
Net results of insurance operations		**75,775**	37,911
General and administration expenses	19	**(48,826)**	(48,041)
(Provision) / release of doubtful debts		**(5,760)**	6,871
Investment income		**5,968**	4,327
Other income		**2,613**	735
Surplus from insurance operations		**29,770**	1,803
Shareholders' share of insurance operations' surplus	2	**(26,793)**	(1,623)
Policyholders' share of surplus for the year	2	**2,977**	180
Accumulated surplus at the beginning of the year		**3,194**	3,014
Accumulated surplus at the end of the year		**6,171**	3,194

Chief Financial Officer

Chief Executive Officer

Chairman

The accompanying notes 1 to 26 form part of these financial statements.

STATEMENT OF SHAREHOLDERS' OPERATIONS

For the year ended 31 December 2016

	Notes	***2016 SR' 000***	*2015 SR' 000*
REVENUES			
Shareholders' share of insurance operations' surplus		**26,793**	1,623
Investment income		**4,176**	2,001
		30,969	3,624
EXPENSES			
General and administration expenses	19	**(619)**	(546)
Net income for the year before Zakat		**30,350**	3,078
Zakat	17	**(9,046)**	(1,200)
Net income for the year		**21,304**	1,878
Earnings per share – (SR)	20	**0.85**	0.10

Chief Financial Officer

Chairman

Chief Executive Officer

The accompanying notes 1 to 26 form part of these financial statements.

STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 SR'000	*2015 SR'000*
Net income for the year	**21,304**	1,878
Items that are or may be reclassified subsequently to statement of Shareholders' Operations:		
Other comprehensive income / (expense)	**-**	-
Total comprehensive income for the year	**21,304**	1,878

Chief Financial Officer

Chairman

Chief Executive Officer

Salama Cooperative Insurance Company – A Saudi Joint Stock Company

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2016

	Share capital SR'000	*Available-for-sale investments reserve SR'000*	*Accumulated losses SR'000*	*Total SR'000*
Balance as at 31 December 2015	**250,000**	-	**(78,128)**	**171,872**
Net income for the year	-	-	**21,304**	**21,304**
Balance as at 31 December 2016	**250,000**	**-**	**(56,824)**	**193,176**
Balance as at 31 December 2014	100,000	-	(73,021)	26,979
Issuance of right shares	150,000	-	-	150,000
Net income for the year	-	-	1,878	1,878
Issuance cost	-	-	(6,985)	(6,985)
Balance as at 31 December 2015	250,000	-	(78,128)	171,872

Chief Financial Officer

Chief Executive Officer

Chairman

The accompanying notes 1 to 26 form part of these financial statements.

STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 SR'000	2015 SR'000
OPERATING ACTIVITIES			
Policyholders' share of surplus for the year		**2,977**	180
Adjustments for:			
Unrealized gain on FVIS investments	9(a)	**(2,237)**	(822)
Realized gain on FVIS investments		**(1,392)**	(2,142)
Reinsurers' share of unearned premiums		**1,311**	(1,137)
Amortization related to held to maturity investments	9(b)	**153**	127
Provision for doubtful reinsurance receivables	5	**226**	92
Provision for doubtful premiums receivables	4	**5,534**	(6,963)
Unearned premiums		**108,822**	28,777
Other technical reserves		**1,111**	(1,947)
Employees' end of service benefits, net		**1,689**	743
Depreciation		**1,304**	1,251
		119,498	18,159
Changes in operating assets and liabilities:			
Premiums receivable		**(44,871)**	(4,190)
Reinsurance receivables		**818**	1,378
Policy acquisition costs		**(5,375)**	(476)
Prepayments and other receivables		**(6,485)**	354
Amount due from a related party		**-**	6,759
Reinsurers' share of outstanding claims		**1,032**	(1,326)
Unearned commission income		**(266)**	262
Outstanding claims		**49,069**	18,381
Policyholders' claims		**2,511**	(298)
Reinsurance payables		**3,886**	(321)
Accruals and other payables		**9,463**	(934)
Due to shareholders' operations		**23,190**	(704)
Net cash from operating activities		**152,470**	37,044
INVESTING ACTIVITIES			
Purchase of furniture, fittings and office equipment	11	**(1,571)**	(1,428)
Purchase of FVIS investments	9(a)	**(166,162)**	(140,068)
Purchase of held to maturity investments	9(b)	**-**	(5,586)
Term deposits		**(3,821)**	(477)
Proceeds from disposal of FVIS investments	9(a)	**74,412**	69,379
Proceeds from term deposits		**-**	20,254
Net cash used in investing activities		**(97,142)**	(57,926)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**55,328**	(20,882)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**2,691**	23,573
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3(a)	**58,019**	2,691

Chief Financial Officer

Chief Executive Officer

Chairman

The accompanying notes 1 to 26 form part of these financial statements.

STATEMENT OF SHAREHOLDER OPERATIONS' CASH FLOWS

For the year ended 31 December 2016

	Notes	**2016 SR'000**	2015 SR'000
OPERATING ACTIVITIES			
Net income for the year before Zakat		**30,350**	3,078
Adjustments for:			
Unrealized gain on FVIS investments	9(a)	**(3,012)**	(1,486)
Amortization related to held to maturity investments	9(b)	**109**	64
		27,447	1,656
Changes in operating assets and liabilities:			
Prepayment and other receivables		**(23)**	446
Due to insurance operations		**(23,190)**	704
Statutory deposit		**-**	(15,000)
Return on statutory deposit		**(577)**	(92)
Return on statutory deposit payable to SAMA		**577**	92
Net cash from / (used in) operating activities		**4,234**	(12,194)
INVESTING ACTIVITIES			
Purchase of FVIS investments	9(a)	**(514)**	(166,126)
Purchase of held to maturity investments		**(3,717)**	(10,211)
Proceeds from disposal of FVIS investments	9(a)	**-**	40,000
Net cash used in investing activities		**(4,231)**	(136,337)
FINANCING ACTIVITIES			
Proceeds from right issue		**-**	150,000
Issuance cost		**-**	(6,985)
Net cash from financing activities		**-**	143,015
NET CHANGE IN CASH AND CASH EQUIVALENTS		**3**	(5,516)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**8**	5,524
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	3(a)	**11**	8

Chief Financial Officer

Chief Executive Officer

Chairman

The accompanying notes 1 to 26 form part of these financial statements.

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

Salama Cooperative Insurance Company ("the Company") is a Saudi joint stock company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry's Resolution number 1121K dated 29 Rabi Al-Thani 1428H (corresponding to 16 May 2007). The Company is registered in Jeddah under Commercial Registration No. 4030169661 dated 6 Jamad Al-Awal I428H (corresponding to 23 May 2007).

The Registered Office address of the Company is:

Al Amir Muhammed bin Abdulaziz Street,
Bin Hamran Center, P.O. Box 122392,
Jeddah 21332,
Kingdom of Saudi Arabia.

The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. The Company was listed on the Saudi Stock Exchange on 23 May 2007. The Company started its operations on 1 January 2008. The Company is fully owned by the general public and Saudi shareholders.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) *Basis of measurement*

These financial statements are prepared under the historical cost basis except for FVIS investments and available-for-sale investments which are measured at fair value.

b) *Statement of compliance*

These financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”).

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders’ Operations. The physical custody and title 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 expenses from joint operations is determined by the management and Board of Directors.

The Company presents its statement of financial position broadly in order of liquidity. All financial assets and liabilities except for investments held to maturity are expected to be recovered and settled respectively, within twelve months after the reporting date.

c) *Functional and presentation currency*

The financial statements are expressed in Saudi Riyals, being the functional currency of the Company and have been rounded off to the nearest thousand, unless otherwise specified.

d) *Surplus distribution*

As per the By-laws of the Company, surplus arising from the Insurance Operations is distributed as follows:

Shareholders	90%
Policyholders	10%
	100%

If the insurance operations result in a deficit, the entire deficit is borne by Shareholder’s Operations.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Summary of significant accounting policies

The accounting policies adopted by the Company for preparation of these financial statements are consistent with those of the previous year except for the adoption of following new standards and amendments to existing standards and interpretations mentioned below which had no significant impact on the financial statements of the Company.

New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company

The Company has adopted the following amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB) with a date of initial application of 1 January 2016:

Standard	*Description*
IFRS 11	Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations
IFRS 14	Regulatory Deferral Accounts
IAS 16 and IAS 38	Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 27	Amendments to IAS 27 Equity Method in Separate Financial Statements
IFRS 10 and IAS 28	Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IAS 1	Amendments to IAS 1 Disclosure initiative
IAS 16 and IAS 41	Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants.
IFRS 10, IFRS 12 and IAS 28	Amendments to IFRS 10, IFRS 12 and IAS 28 Applying the Consolidation Exception
IFRS 5, IFRS 7, IAS 19 and IAS 34	Annual Improvements to IFRS 2012-2014 cycle

The adoption of the relevant new and amended standards and interpretations applicable to the Company did not have any significant impact on these financial statements.

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they are effective.

Standard/ Interpretation	*Description*	*Effective date*
IAS 12	Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised losses	1 January 2017
IAS 7	Amendments to IAS 7 Disclosure Initiative	1 January 2017
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

The management is currently assessing the implications of adopting the above mentioned standards, amendments or interpretations on the Company's financial statements.

The significant accounting policies used in the preparation of these financial statements are summarized as follows:

2) BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Summary of significant accounting policies (continued)

Insurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by assessing whether an insured event could cause the Company to pay significant additional benefits. Insurance contracts can also transfer financial risk.

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 expire.

Insurance contracts are principally divided into medical, marine, property, motor, engineering and accident and liability and are principally short-term insurance contracts.

Medical insurance is designed to compensate policy holders for expenses incurred in treatment of a disease, illness or injury. Medical insurance is primarily offered to corporate customers with a large population to be covered under the policy.

Marine insurance is designed to compensate policyholders for damage and liability arising through loss or damage to marine craft/hull and accidents at sea resulting in the total or partial loss of cargoes. For marine insurance, the main risks are loss or damage to marine craft/hull and cargoes.

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties. Customers could also receive compensation for the loss of earnings through loss of profit and business interruption. For property insurance contracts the main risks are fire, natural perils, business interruption and burglary.

Motor insurance is designed to compensate contract holders for damages suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for fire or theft of their vehicles. The Company also issues comprehensive motor policies. Various extensions cover natural perils, personal accident benefits and agency repairs.

General accident insurance includes money, fidelity guarantee, personal accident, jeweler block, jewelry all risks and travel insurance. Liability insurance includes general third-party liability, product liability, workmen's compensation/employer's liability, medical malpractice and professional indemnity cover protecting the insured's legal liability arising out of acts of negligence during their business operations.

Engineering insurance covers two principal types:

(a) "Contractors all risk" insurance offering cover during erection or construction of buildings or civil engineering works such as houses, shops, blocks of flats, factory buildings, roads, buildings, bridges, sewage works and reservoirs.

(b) "Erection all risk" insurance offering cover during the erection or installation of plant and machinery such as power stations, oil refineries, chemical works, cement works, metallic structures or any factory with plant and machinery. The Engineering line of business also includes machinery breakdown insurance and Business Interruption following machinery breakdown and includes electronic equipment, boiler and deterioration of stocks insurance.

Cash and cash equivalents

Cash and cash equivalents consists of bank balances, cash on hand, and investments that are readily convertible into known amounts of cash and have an original maturity of three months or less.

Premiums receivable

Premiums receivable are non-derivative financial assets with fixed or determined payments.

Premiums receivable are stated at original invoice amount less an allowance for any uncollectible amounts (impairment). An allowance for impairment is made when collection of the full amount is no longer probable and charged to statement of insurance operations and accumulated surplus. Bad debts are written off when there is no possibility of recovery.

Deferred policy acquisition costs

Those direct costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred. Subsequent to initial recognition, these costs are amortized on a straight-line basis based on the term of expected future premiums except for marine cargo where the deferred portion is computed based on last three months of the total cost incurred. Amortization is recorded in the statement of insurance operations and accumulated surplus.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Summary of significant accounting policies (continued)

Investments

All investments are initially recognised at cost, being the fair value of consideration given. Financial assets are initially recognised at fair values plus, in the case of all financial assets not carried at fair value through income statement, transaction costs that are directly attributable to their acquisition.

FVIS investments

Investments are classified as Fair Value through Statement of Income (FVIS), if the fair value of the investment can be reliably measured and the classification as FVIS is as per the documented strategy of the Company. Investments classified as FVIS are initially recognised at cost, being the fair value of the consideration given. Subsequently, such investments are re-measured at fair value, with all changes in fair value being recorded in the statement of shareholders' operations and statement of insurance operations and accumulated surplus.

Available-for-sale investments

After initial recognition, investments which are classified as "available-for-sale" (AFS) are normally remeasured at fair value, unless fair value cannot be reliably determined in which case they are measured at cost less impairment. Fair value changes are included in statement of shareholders' comprehensive income until the investment is derecognized or the investment is determined to be impaired. On de-recognition or impairment, the cumulative gain or loss previously reported within statement of comprehensive income, is included in the statement of shareholders' operations.

Investments held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity and are classified as held to maturity investments.

Held to maturity investments are initially recorded at cost, being fair value of consideration given. Subsequently these are measured at amortized cost (using effective interest rate) less impairment losses.

Any permanent decline in value of investments is adjusted for and reported in the related statements of insurance operations and accumulated surplus or shareholders' operations as impairment.

Furniture, fittings and office equipment

Furniture, fittings and office equipment are measured at cost less accumulated depreciation and any impairment in value. Depreciation is charged to the statement of insurance operations and accumulated surplus on a straight line basis over following estimated useful lives of the assets.

Motor vehicle	5 years
Furniture and fittings	5 years
Computers and office equipment	3 years

The carrying values of furniture, fittings and office equipment are reviewed for impairment when events or changes in circumstances indicate 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, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of furniture, fittings and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of furniture, fittings and equipment. All other expenditure is recognised in the statement of insurance operations and accumulated surplus as the expense is incurred.

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Summary of significant accounting policies (continued)

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 is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of insurance operations and accumulated surplus, and a provision for premium deficiency 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 statement of financial position.

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

Provisions
Provisions are recognized 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 can be measured reliably. Provisions are not recognized for future operating losses.

Employees' end of service benefits
The Company provides end of service benefits to its employees. The entitlement to these benefits is usually based upon the employees' final salary and length of service subject to the completion of a minimum service period. Provision is made for the amounts payable under Saudi Arabian Labour law applicable to employees accumulated periods of service at the statement of financial position date. The expense for the year is charged to the statement of insurance operations and accumulated surplus.

Zakat
Zakat are provided for in accordance with the Saudi Arabian Zakat Regulations. Zakat is accrued and charged to statement of shareholders' operations.

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

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.
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; and
c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the asset's original effective interest rate.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Summary of significant accounting policies (continued)

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of insurance operations and accumulated surplus and statement of shareholders' operations in expense categories consistent with the function of the impaired asset, except for a property, if any, previously revalued and the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of insurance operations and accumulated surplus and statement of shareholders' operations unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Derecognition of financial instruments

Financial asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liability

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Trade date accounting

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Summary of significant accounting policies (continued)

Revenue Recognition

Premiums and commissions earned

Gross written premiums written and commission income are taken into income over the term of the policies to which they relate on a pro-rata basis. The portion of premiums and commissions that will be earned in the future is reported as unearned premiums and unearned commission income, respectively, and is deferred on a basis consistent with the term of the related policy coverage, except for marine cargo. The unearned portion for marine cargo represents last three months of the total premiums written during the current financial period. The change in the unearned premiums is taken to the statement of insurance operations and accumulated surplus in order that revenue is recognized over the period of risk.

Dividend income

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

Commission income

Commission income on term deposits is recognised using the effective yield method.

Reinsurance premiums

Reinsurance premiums ceded are recognised as an expense when payable.

Reinsurance premiums are charged to income over the terms of the policies to which they relate on a pro-rata basis.

Claims

Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to statement of insurance operations and accumulated surplus as incurred. Claims comprise the estimated amounts payable in respect of claims reported to the Company and those not reported at the reporting date.

Outstanding claims comprise the estimated cost of claims incurred but not settled at the reporting date together with the related claims handling costs and a reduction for the expected value of salvage and other recoveries, whether reported by the insured or not. Provisions for reported claims but not paid as of the reporting date are made on the basis of individual case estimates. In addition, a provision based on Management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported at the reporting date ("IBNR") including related claims handling costs and the expected value of salvage and other recoveries at the reporting date.

Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the statement of insurance operations and accumulated surplus for that year. The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately.

Reinsurance contracts held

In common with other insurance companies, in order to minimise financial exposure arising from large claims, the Company, in the normal course of business, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. All of the reinsurance is affected under treaty, facultative and excess-of-loss reinsurance contracts.

Claims receivable from reinsurers are estimated in a manner consistent with the claim liability and in accordance with the reinsurance contract. These amounts are shown as "Reinsurers' share of outstanding claims" in the statement of financial position until the claim is agreed and paid by the Company. Once the claim is paid the amount due from the reinsurers in connection with the paid claim is transferred to amounts due from / to reinsurers.

At each reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Summary of significant accounting policies (continued)

Foreign currencies

The accounting records of the Company are maintained in Saudi Riyals. Transactions in foreign currencies are recorded in Saudi Riyals at the approximate rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the statement of insurance operations and accumulated surplus or the statement of shareholders' operations as appropriate.

Expenses

Due to the nature of the Company' business, all expenses incurred are considered to be general and administrative expenses and are classified as such.

Segment reporting

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incurs expenses and about which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. 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. For management purposes, the Company is organized into business units based on their products and services and has the following major reportable segments:

- Medical provides compensation to policy holders for expenses incurred in treatment of a disease, illness or injury.
- Motor provides coverage against losses and liability related to motor vehicles.
- Other includes property, marine, engineering, accident and liability and miscellaneous categories.

Shareholders' operations is a non-operating segment. Income earned from time deposits and investments is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The loss or surplus from the insurance operations is allocated to this segment on an appropriate basis.

No inter-segment transactions occurred during the period. If any transaction were to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between business segments which will then be eliminated at the level of the financial statements of the Company.

Fair values of financial instruments

Financial instruments comprise cash and cash equivalents, term deposits, premiums receivable, reinsurance receivables, amounts receivable from related party, investments, outstanding claims, reinsurance share of outstanding claims, reinsurance payables and certain other assets and liabilities.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Summary of significant accounting policies (continued)

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 expenses are not offset in the statement of insurance operations and accumulated surplus or in the statement of shareholders' operations unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

f) Use of estimates and judgments

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The key assumptions concerning the future and other key sources of estimation uncertainty at the date of statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

Provision for outstanding claims

Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. In particular, estimates have to be made to calculated ultimate cost of claims. Incurred but not yet reported (IBNR) at reporting date are derived by deducting paid and outstanding claim at reporting date from ultimate cost of claim. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision. These provisions are not discounted for the time value of money.

Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Claims requiring court or arbitration decisions, if any, are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred on a monthly basis, and claims incurred but not reported on a quarterly basis. The provision for outstanding claims as at 31 December 2015 and 2016 were also verified and certified by an independent actuary.

Premium deficiency reserve

Estimation of the premium deficiency is highly sensitive to a number of assumptions as to the future events and conditions. It is based on expected loss ratio for the unexpired portion of the risks for written policies. To arrive at the estimate of the expected loss ratio, the actuary considers the claims and premiums relationship which is expected to apply on month to month basis. Based on actuary's suggestion, the management has used different possibilities for projecting the expected trends in loss ratio. The key assumption used by the management is that past claims pattern are stable and will continue in future.

Allowance for impairment of premiums receivable

The Company makes portfolio provision, estimated on a group basis, based on the ageing profile of the premiums receivable. Such estimates involve various degrees of judgement and uncertainty, and actual results may differ resulting in future changes to such provisions.

Reinsurance

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

Deferred acquisition costs

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Use of estimates and judgments (continued)

Useful lives of furniture, fittings and equipment

The Company's management determines the estimated useful lives of its furniture, fittings and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Classification of investments

The management designates at the time of acquisition of investment securities whether these should be classified as FVIS or held to maturity or available for sale securities. In judging whether investment in securities are classified as at fair value or amortised cost, management has considered the detailed criteria for determination of such classification as set out in IFRS.

Impairment of available-for-sale equity investments

The Company determines that available-for-sale equity investments assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

Fair values of financial instruments

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values.

3 CASH AND CASH EQUIVALENTS AND TERM DEPOSITS

	2016	*2015*
	SR'000	*SR'000*
(a) Cash and cash equivalents		
Insurance Operations		
Cash on hand and at banks	58,019	2,691
Shareholders' Operations		
Cash at banks	11	8
(b) Term deposits		
Insurance Operations		
Term deposits	14,783	10,962

The term deposits are held with the commercial banks and earn commission at market rates. These term deposits are denominated in Saudi Arabian Riyals and have an original maturity of more than three-months and less than twelve-months. The carrying amounts of these term deposits reasonably approximate their fair values at the reporting date.

4 PREMIUMS RECEIVABLE, NET

	2016 *SR'000*	*2015* *SR'000*
Due from policyholders	84,116	42,900
Due from policyholders – related party (see note 18)	36,362	32,707
Allowance for doubtful premiums receivable (see below)	(21,369)	(15,835)
	99,109	59,772

Movements in allowance of doubtful premiums receivable were as follows:

	2016 *SR'000*	*2015* *SR'000*
Balance at the beginning of the year	15,835	22,653
Write off of doubtful debts	-	(3,174)
Write back of previously written off balance during the year	-	3,319
Provision / (released) of doubtful debts during the year	5,534	(6,963)
Balance at the end of the year	21,369	15,835

The age analysis of unimpaired premiums receivable arising from insurance contracts is as follows:

	Past due but not impaired				
	Up to three months *SR'000*	*Above three and up to six months* *SR'000*	*Above six and less than twelve months* *SR'000*	*Twelve months and above* *SR'000*	*Total* *SR'000*
2016	66,663	22,411	6,778	3,257	99,109
2015	47,457	4,687	3,195	4,433	59,772

Past due but not impaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables and the vast majority is, therefore, unsecured. In respect of premiums receivable, the five largest customer balances accounted for approximately 47% of this balance as at 31 December 2016 (2015: 51%). Premiums receivable comprise a large number of customers and insurance companies all within the Kingdom of Saudi Arabia.

5 REINSURANCE RECEIVABLES, NET

	2016 *SR'000*	*2015* *SR'000*
Reinsurance receivables	4,461	5,279
Allowance for doubtful insurance receivables (see below)	(3,952)	(3,726)
	509	1,553

Movements in allowance of doubtful reinsurance receivables were as follows:

	2016 *SR'000*	*2015* *SR'000*
Balance at the beginning of the year	3,726	3,634
Provided during the year	226	92
Balance at the end of the year	3,952	3,726

5 REINSURANCE RECEIVABLES, NET (continued)

	Past due but not impaired				
	Up to three months SR'000	*Above three and up to six months SR'000*	*Above six and less than twelve months SR'000*	*Twelve months and above SR'000*	*Total SR'000*
2016	8	16	43	442	509
2015	843	45	67	598	1,553

Past due but not impaired reinsurance receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over reinsurance receivables and the vast majority is, therefore, unsecured. In respect of reinsurance receivables, the five largest customer balances accounted for approximately 67% of gross reinsurance receivables balance as at 31 December 2016 (2015: 56%).

6 NET PREMIUMS EARNED

	2016 SR'000	*2015 SR'000*
Gross written premiums	571,353	391,740
Gross unearned premiums at the beginning of the year	172,147	143,371
	743,500	535,111
Gross unearned premiums at the end of the year	(280,969)	(172,147)
Gross premiums earned	462,531	362,964
Reinsurance premium ceded	(13,668)	(14,325)
Excess of loss premiums	(14,587)	(8,327)
Reinsurers' share of unearned premiums at the beginning of the year	(6,063)	(4,927)
	(34,318)	(27,579)
Reinsurers' share of unearned premiums at the end of the year	4,752	6,063
Insurance premiums ceded to reinsurers	(29,566)	(21,516)
Net premiums earned	432,965	341,448

7 DEFERRED POLICY ACQUISITION COSTS

	2016 SR'000	*2015 SR'000*
Balance at the beginning of the year	5,215	4,739
Expenses incurred during the year	20,987	11,639
Amortisation for the year	(15,612)	(11,163)
Balance at the end of the year	10,590	5,215

8 CLAIMS INCURRED

	2016 *SR'000*	*2015* *SR'000*
Gross claims paid	283,758	280,143
Gross outstanding claims at the end of the year (see note (i) below)	147,176	98,107
	430,934	378,250
Gross outstanding claims at the beginning of the year	(98,107)	(79,726)
Gross claims incurred	332,827	298,524
Reinsurance recoveries	(3,898)	(5,566)
Reinsurers' share of outstanding claims at the end of the year (see note (ii) below)	(6,376)	(7,408)
	(10,274)	(12,974)
Reinsurers' share of outstanding claims at the beginning of the year	7,408	6,082
Reinsurers' share of claims	(2,866)	(6,892)
Net claims incurred	329,961	291,632

(i) Gross outstanding claims as at 31 December 2016 include provision for IBNR amounting to SR 123,997 thousand (2015: 84,341 thousand).

(ii) Substantially all of the amounts due from reinsurers are expected to be received within twelve months of the reporting date. Reinsurers share of outstanding claims are calculated in proportion to the related risk distribution pattern.

CLAIMS DEVELOPMENT TABLE

The following reflects the cumulative incurred claims, including both claims notified and incurred but not reported for each successive accident year at each financial position date, together with the cumulative payments to date. The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the claims.

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

31 December 2016

Accident year	2012 & earlier	2013	2014	2015	2016	Total
			SR'000			
Estimate of ultimate claims cost:						
At the end of accident year	171,478	162,789	228,220	293,230	342,562	
One year later	184,820	171,923	270,018	278,395	-	
Two years later	188,195	190,416	262,252	-	-	
Three years later	196,128	187,293	-	-	-	
Four years later	196,991	-	-	-	-	
Current estimate of cumulative claims	196,991	187,293	262,252	278,395	342,562	1,267,493
Cumulative payments to date	(195,525)	(186,165)	(261,016)	(270,829)	(206,782)	(1,120,317)
Liability recognised in statement of financial position	1,466	1,128	1,236	7,566	135,780	147,176

8 CLAIMS INCURRED (continued)

CLAIMS DEVELOPMENT TABLE (continued)

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

31 December 2015

Accident year	2011 & earlier	2012	2013	2014	2015	Total
			SR'000			
Estimate of ultimate claims cost:						
At the end of accident year	128,273	171,478	162,789	228,220	286,214	
One year later	136,164	184,820	171,923	270,018	-	
Two years later	137,413	188,195	190,416	-	-	
Three years later	138,432	196,128	-	-	-	
Four years later	142,258	-	-	-	-	
Current estimate of cumulative claims	142,258	196,128	190,416	270,018	286,214	1,085,034
Cumulative payments to date	(140,460)	(194,217)	(185,092)	(255,075)	(212,083)	(986,927)
Liability recognised in statement of financial position	1,798	1,911	5,324	14,943	74,131	98,107

9 INVESTMENTS

	2016 *SR'000*	*2015* *SR'000*
Insurance Operations		
FVIS investments (see (a) below)	254,516	159,137
Held to maturity Investments (see (b) below)	35,947	36,100
Shareholders' Operations		
FVIS investments (see (a) below)	145,210	141,684
Held to maturity investments (see (b) below)	13,755	10,147
Available-for-sale investments (see (c) below)	1,923	1,923

a) FVIS investments

Insurance operations

Movements in FVIS investments is as follows:

	2016 *SR'000*	*2015* *SR'000*
Balance at the beginning of the year	159,137	85,484
Purchased during the year	166,162	140,068
Disposals during the year	(74,412)	(69,379)
Changes in fair value of investments	3,629	2,964
Balance at the end of the year	254,516	159,137

9 INVESTMENTS (continued)

a) FVIS investments – (continued)

Shareholders' operations

Movements in FVIS investments is as follows:

	2016 *SR'000*	*2015* *SR'000*
Balance at the beginning of the year	141,684	14,072
Purchases during the year	514	166,126
Disposals during the year	-	(40,000)
Changes in fair value of investments	3,012	1,486
Balance at the end of the year	145,210	141,684

b) Held to maturity investments

Insurance operations

Movements in investments held to maturity is as follows:

	2016 *SR'000*	*2015* *SR'000*
Balance at the beginning of the year	36,100	30,641
Purchases during the year	-	5,586
Amortised during the year	(153)	(127)
Balance at the end of the year	35,947	36,100

Shareholders operations

Movements in investments held to maturity is as follows:

	2016 *SR'000*	*2015* *SR'000*
Balance at the beginning of the year	10,147	-
Purchases during the year	3,717	10,211
Amortized during the year	(109)	(64)
Balance at the end of the year	13,755	10,147

9 INVESTMENTS (continued)

c) Available-for-sale investments

Shareholders' operations
Movements in available for sale investments are as follows:

2016	*Quoted securities SR'000*	*Unquoted securities SR'000*	*Total SR'000*
Balance at the beginning of the year	-	1,923	1,923
Balance at the end of the year	-	1,923	1,923

2015	*Quoted securities SR'000*	*Unquoted securities SR'000*	*Total SR'000*
Balance at the beginning of the year	-	1,923	1,923
Balance at the end of the year	-	1,923	1,923

(i) Unquoted available for sale investment, having a carrying value of SR 1,923 thousand (2015: SR 1,923 thousand) are measured at cost as its fair value cannot be reliably measured due to the absence of active market and unavailability of observable market prices for similar instruments.

10 PREPAYMENTS AND OTHER RECEIVABLES

	2016 SR'000	*2015 SR'000*
Insurance Operations		
Prepayments	2,812	2,644
Advances to staff	1,403	1,539
Accrued commission	210	604
Other receivables	16,982	10,135
	21,407	14,922
Shareholders' Operations		
Other receivables	132	109

11 FURNITURE, FITTINGS AND OFFICE EQUIPMENT

	Motor vehicles SR'000	*Furniture and fittings SR'000*	*Computers and office equipment SR'000*	*2016 Total SR'000*	*2015 Total SR'000*
Insurance Operations					
Cost:					
At 1 January 2016	59	6,741	7,003	13,803	12,375
Additions during the year	-	622	949	1,571	1,428
At 31 December 2016	59	7,363	7,952	15,374	13,803
Accumulated Depreciation:					
At 1 January 2016	59	5,434	5,970	11,463	10,212
Charge for the year (see note 22)	-	608	696	1,304	1,251
At 31 December 2016	59	6,042	6,666	12,767	11,463
Carrying amount:					
At 31 December 2016	-	1,321	1,286	2,607	-
At 31 December 2015	-	1,307	1,033	-	2,340

12 UNEARNED COMMISSION INCOME

	2016 SR'000	2015 SR'000
Balance at the beginning of the year	1,553	1,291
Commission received during the year	3,469	4,029
Commission earned during the year	(3,735)	(3,767)
Balance at the end of the year	1,287	1,553

13 ACCRUALS AND OTHER PAYABLES

	2016 SR'000	*2015 SR'000*
Insurance Operations		
Accrued expenses	3,297	2,880
Payables to brokers and agents	10,775	4,894
Other payables	11,643	8,478
	25,715	16,252

14 STATUTORY DEPOSIT

	2016 SR'000	*2015 SR'000*
Statutory deposit	25,000	25,000

As required by Saudi Arabian Insurance Regulations, the Company has deposited 10% of its paid up capital, amounting to SR 25 million (2015: SR 25 million) in a bank designated by the Saudi Arabian Monetary Agency ("SAMA"). This statutory deposit can not be withdrawn without the consent of SAMA.

15 SHARE CAPITAL

The authorized and issued share capital of the Company was SR 100 million divided into 10 million ordinary shares of SR 10 each.

In the extra-ordinary general meeting held on 30 June 2015 corresponding to 13 Ramadan 1436H, the shareholders approved rights issue of SR 150 million. As approved by the regulators, 15 million ordinary shares were offered at an exercise price of SR 10 during the subscription period which was completed during August 2015. The legal formalities have been completed and the share capital has been increased from SR 100 Million to SR 250 Million. The Company incurred a sum of SR 6.985 million as issuance cost to raise additional capital of SR 150 million through rights issue which has been accounted through statement of changes in shareholders' equity.

16 STATUTORY RESERVE

As required by Saudi Arabian Insurance Regulations issued by the Saudi Arabian Monetary Agency ("SAMA"), 20% of the net shareholders' income shall be set aside as a statutory reserve until this reserve amounts to 100% of paid capital. As the Company has accumulated losses at year end, no transfer to statutory reserve has been made.

17 ZAKAT

Charge for the year	*2016 SR'000*	*2015 SR'000*
Current year provision	5,000	1,200
Relating to prior years	4,046	-
Charge for the year	9,046	1,200

The current year provision is based on the following:

	2016 SR'000	*2015 SR'000*
Equity	171,872	26,979
Opening provision and adjustments	32,951	35,346
Net book value of long term assets	(52,309)	(48,587)
	152,514	13,738
Adjusted income for the year	36,110	3,132
Zakat base	188,624	16,870

The differences between the financial and the Zakatable results are mainly due to certain adjustments in accordance with the relevant fiscal regulations.

Movements in provision during the year	*2016 SR'000*	*2015 SR'000*
Balance at the beginning of the year	5,008	3,808
Charge for the year	9,046	1,200
Balance at the end of the year	14,054	5,008

Zakat status

The Company has filed its zakat declarations for the period from 16 May 2007 to 31 December 2008 and for the years ended 31 December 2009 through 2015 and has obtained restricted zakat certificates.

During the year, the Company received zakat assessments for the years ended 31 December 2008 through 2012 where GAZT demanded an additional zakat and withholding tax liability of SR 13.7 million in respect of those years. The Company has filed an objection against those assessments and the management is confident of a favorable outcome. In this regard, the Company have issued a letter of guarantee amounting to SR 9.5 million in favour of GAZT (See Note 22). Further, the Company has booked an additional liability of SR 4.4 million for withholding tax in statement of insurance operations and SR 4 million for zakat for prior period in the statement of shareholders' operations.

18 RELATED PARTY TRANSACTIONS AND BALANCES

The following are the details of major related party transactions during the year.

	Nature of transaction	*Transactions for the year ended 31 December 2016 SR'000*	*Transactions for the year ended 31 December 2015 SR'000*	*Balance as at 31 December 2016 SR'000*	*Balance as at 31 December 2015 SR'000*
(a) Insurance Operations					
Major shareholder					
Islamic Arab Insurance Company (UAE)	Insurance premium	100	91	-	-
Related parties of key management personnel					
Tajeer Co. (affiliate)	Insurance policies issued.	98,661	160,813	36,362	32,707
Chairman of the Board	Insurance policies issued.	312	390	144	-
Rusd Global Company	Insurance policies issued.	608	564	191	-
Technology Establishment	Insurance policies issued.	-	278	-	-
Al Firdous Group Co.	Insurance policies issued.	1,971	1,407	26	82
Key management personnel	Long-term benefit	276	248	(1,038)	(1,511)
	Short-term benefit	4,423	4,657	146	132
(b) Shareholder operations					
Major shareholder					
Board of directors	Remunerations	104	104	-	-
Board of committees	Remunerations	11	140	-	-

(c) Terms of transactions with related parties are approved by the management of the Company. In addition to disclosures set out in note 2(d) and 5 the year end balances of transactions with related parties are disclosed in the statement of financial position.

19 GENERAL AND ADMINISTRATIVE EXPENSES

	2016	2015
	SR'000	SR'000
Insurance Operations		
Employees' costs	34,685	29,480
Office rent	4,381	3,682
Information technology	2,814	1,683
Training and development	147	293
Written off of related party	-	6,759
Depreciation (see note 11)	1,304	1,251
Travelling	639	436
Communication	888	940
Printing and stationary	884	679
Fee and subscriptions	352	401
Utilities	175	200
Repair and maintenance	284	202
Audit and professional fees	1,329	1,438
Marketing and advertisement	374	224
Others	570	373
	48,826	48,041
Shareholders' Operations		
Board attendance fees (see note a below)	104	105
Committee expenses (see note b below)	11	140
Others	504	301
	619	546

a) Board attendance fees represent allowances for attending board meetings and sub-committee meetings.

b) Committee expenses include fees of non-board members for attending committee meetings and other related sub-committee expenses.

20 EARNINGS PER SHARE

Earnings per share for the period has been calculated by dividing the net income for the year by the weighted average number of issued and outstanding shares for the year.

(a) Weighted average number of ordinary shares are calculated as follows:

	2016	2015
Issued ordinary shares as at 1 January ('000')	25,000	10,000
Effect of right share issue	-	9,520
Weighted average number of ordinary shares ('000')	25,000	19,520

(b) The basic and diluted earnings per share is calculated as follows:

	2016	2015
Net income for the year (SR '000')	21,304	1,878
Weighted average number of ordinary shares ('000') - (Note 20 (a))	25,000	19,520
Basic and diluted earnings per share (SR)	0.85	0.10

21 SEGMENTAL INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

All the insurance operations of the Company are carried out in the Kingdom of Saudi Arabia. For management purposes, the operations are monitored in three major lines of business. Segment results do not include general and administration expenses and investment income. Segment assets do not include cash and cash equivalents, term deposits, net premiums receivable, net reinsurance receivable, due from shareholders' operations, prepayments and other receivables, amount due from a related party, investments, furniture, fittings and office equipment. Segment liabilities do not include policyholders' claims, reinsurance payables, accruals and other payables, due to shareholders' operations and employees' end of service benefits. Consistent with the Company's internal reporting process, operating segments have been approved by the management in respect of the Company's activities, assets and liabilities as stated below:

31 December 2016	*Medical* *SR'000*	*Motor* *SR'000*	*Other* *SR'000*	***Total*** *SR'000*
Gross written premiums	30,016	523,287	18,050	571,353
Less: Reinsurance premiums ceded	-	(400)	(13,268)	(13,668)
Less: Excess of loss premiums	(732)	(12,859)	(996)	(14,587)
Net written premiums	29,284	510,028	3,786	543,098
Changes in net unearned premiums	(957)	(109,251)	75	(110,133)
Net premiums earned	28,327	400,777	3,861	432,965
Net reinsurance commissions earned	-	70	3,665	3,735
Other underwriting income	-	601	-	601
Net revenue	28,327	401,448	7,526	437,301
Gross claims paid	16,683	261,901	5,174	283,758
Less: Reinsurers' share	-	-	(3,898)	(3,898)
Net claims paid	16,683	261,901	1,276	279,860
Changes in outstanding claims and IBNR	1,925	47,890	286	50,101
Net claims incurred	18,608	309,791	1,562	329,961
Changes in other technical reserves	(546)	1,661	(4)	1,111
Policy acquisition costs	1,311	13,000	1,301	15,612
Other operating expenses	2,449	12,157	236	14,842
Net costs and expenses	21,822	336,609	3,095	361,526
Net results of insurance operations	6,505	64,839	4,431	75,775
General and administrative expenses				(48,826)
Provision for doubtful debts				(5,760)
Investment income				5,968
Unallocated other income				2,613
Surplus from insurance operations				29,770

21 SEGMENTAL INFORMATION (continued)

As at 31 December 2016	*Medical* *SR'000*	*Motor* *SR'000*	*Other* *SR'000*	Total SR'000
Insurance operations' assets				
Reinsurers' share of unearned premiums	-	-	4,752	4,752
Reinsurers' share of outstanding claims	-	-	6,376	6,376
Deferred policy acquisition costs	674	9,475	441	10,590
Unallocated assets				486,897
Total insurance operations' assets				508,615
Insurance operations' liabilities and surplus				
Unearned premiums	11,665	263,183	6,121	280,969
Outstanding claims	7,636	129,231	10,309	147,176
Unearned commission income	-	-	1,287	1,287
Other technical reserves	533	3,140	22	3,695
Unallocated liabilities and surplus				75,488
Total insurance operations' liabilities and surplus				508,615

21 SEGMENTAL INFORMATION (continued)

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

31 December 2015	*Medical* *SR'000*	*Motor* *SR'000*	*Other* *SR'000*	*Total* *SR'000*
Gross written premiums	29,688	342,733	19,319	391,740
Less: Reinsurance premiums ceded	-	(74)	(14,251)	(14,325)
Less: Excess of loss premiums	(1,868)	(5,155)	(1,304)	(8,327)
Net written premiums	27,820	337,504	3,764	369,088
Changes in net unearned premiums	4,737	(33,788)	1,411	(27,640)
Net premiums earned	32,557	303,716	5,175	341,448
Net reinsurance commissions earned	-	88	3,679	3,767
Other underwriting income	-	1,362	-	1,362
Net revenue	32,557	305,166	8,854	346,577
Gross claims paid	20,256	254,742	5,145	280,143
Less: Reinsurers' share	(1,301)	-	(4,265)	(5,566)
Net claims paid	18,955	254,742	880	274,577
Changes in outstanding claims and IBNR	(741)	17,150	646	17,055
Net claims incurred	18,214	271,892	1,526	291,632
Changes in other technical reserves	1,079	(2,853)	(173)	(1,947)
Policy acquisition costs	1,666	8,323	1,174	11,163
Other operating expenses	2,476	5,079	263	7,818
Net costs and expenses	23,435	282,441	2,790	308,666
Net results of insurance operations	9,122	22,725	6,064	37,911
General and administrative expenses				(48,041)
Release of doubtful debts				6,871
Investment income				4,327
Unallocated other income				735
Surplus from insurance operations				1,803

As at 31 December 2015	*Medical* *SR'000*	*Motor* *SR'000*	*Other* *SR'000*	Total SR'000
Insurance operations' assets				
Reinsurers' share of unearned premiums	-	-	6,063	6,063
Reinsurers' share of outstanding claims	-	-	7,408	7,408
Deferred policy acquisition costs	613	4,132	470	5,215
Unallocated assets				289,468
Total insurance operations' assets				308,154
Insurance operations' liabilities and surplus				
Unearned premiums	10,707	153,932	7,508	172,147
Outstanding claims	5,711	81,341	11,055	98,107
Unearned commission income	-	-	1,553	1,553
Other technical reserves	1,079	1,478	27	2,584
Unallocated liabilities and surplus				33,763
Total insurance operations' liabilities and surplus				308,154

22 CONTINGENT LIABILITIES

The Company's bankers have given guarantees to non-government customers amounting to SR 0.3 million (2015: SR 0.3 million) in respect of motor insurance and to General Authority of Zakat and Tax amounting to SR 9.5 million (2015: Nil) in respect of zakat assessments for years 2008 to 2012.

23 RISK MANAGEMENT

Risk is inherent in the Company's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company's policy is to monitor business risks through strategic planning process.

Risk management structure

Board of Directors
The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

Audit committee
The Audit Committee is appointed by the Board of Directors. The Audit Committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting and risk management, the audit thereof and the soundness of the internal controls of the Company.

The risks facing the Company and the way these risks are mitigated by management are summarised below:

Insurance risk
The risk under an insurance policy is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such policies is that the actual claims and benefit payments exceed the carrying amount of insurance reserves. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient resources are available to cover claims.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance policies as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements.

Certain portion of reinsurance business ceded is placed on a quota share basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurance assets.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements.

The insurance claim liabilities are sensitive to various assumptions mentioned in note 2(f).

Frequency and amounts of claims
The frequency and amounts of claims can be affected by several factors such as flood, environmental and economical, atmospheric disturbance and concentration of risk etc. The Company underwrites mainly motor and medical risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Geographical concentration of risks
The Company's insurance risk exposure relating to contract holders is concentrated in Kingdom of Saudi Arabia.

The company monitors concentration of risk primarily by class of business. The major concentration lies in motor and medical line of business.

Independent actuarial review of claims and claims reserves
In further mitigation of the insurance risk, the Company utilises an independent actuary who performs periodical reviews of the Company's claims modeling and claims projections as well as verifying the closing position claims reserves are adequate.

23 RISK MANAGEMENT (continued)

Insurance risk (continued)

Key assumptions
The principal assumption underlying the estimates is the Company's estimated ultimate loss ratio. The ultimate loss was determined using actuarial methods as far as applicable.

Sensitivities
The company believes that claim liabilities under insurance contract (Gross outstanding claim less reinsurance share of outstanding claim) outstanding at the year-end are adequate. However, these amounts are not certain and actual payments may differ from claim liabilities provided in the financial statements. The insurance claim liabilities are sensitive to various assumptions. Sensitivity of loss for the year before Zakat to change in claim liabilities and IBNR based on an increase / decrease of 10% in outstanding claim reserve and increase / decrease of 15 % in IBNR is given below for each business segment.

	2016 SR'000		*2015 SR'000*	
Outstanding claim net of reinsurance	Effect of 10% increase	Effect of 10% decrease	Effect of 10% increase	Effect of 10% decrease
Motor	(1,154)	1,154	(253)	253
Medical	(273)	273	(168)	168
Others	(336)	336	(312)	312
	(1,763)	1,763	(733)	733

	2016 SR'000		*2015 SR'000*	
IBNR	Effect of 15% increase	Effect of 15% decrease	Effect of 15% increase	Effect of 15% decrease
Motor	(17,653)	17,653	(11,822)	11,822
Medical	(736)	736	(604)	604
Others	(85)	85	(80)	80
	(18,474)	18,474	(12,506)	12,506

Reinsurance risk
Similar to other insurance companies, in order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for reinsurance purposes.

To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers. Reinsurers are selected using the following parameters and guidelines set by the Company's management. The criteria may be summarized as follows:

a) Minimum acceptable credit rating by recognized rating agencies (e.g. S&P) that is not lower than BBB.
b) Reputation of particular reinsurance companies.
c) Existing or past business relationship with the reinsurer.

The exception to this rule is in respect of local companies who do not carry any such credit rating. This, however, is limited to those companies registered and approved by the local Insurance Regulator. Furthermore, the financial strength and managerial and technical expertise as well as historical performance, wherever applicable, are thoroughly reviewed by the Company and matched against a list of requirements pre-set by the Company's management before approving them for exchange of reinsurance business.

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

23 RISK MANAGEMENT (continued)

Regulatory framework risk
Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities.

The operations of the Company are also subject to regulatory requirements within the jurisdiction it operates. 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 to meet unforeseen liabilities as these arise.

Capital management risk
Capital requirements are set and regulated by the Saudi Arabian Monetary Agency. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximise shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares, if required in future. In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial year.

Financial risk
The Company's principal financial instruments are receivables arising from insurance contracts, due from related parties, cash and cash equivalents, term deposits, investments, other receivables, outstanding claims and policy holder claims, reinsurance payable and certain other assets and liabilities. The main risks arising from the Company's financial instruments are market risk, commission rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Market risk
Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused either by factors specific to the individual security, the issuer of the security, or factors affecting all securities traded in the market.

The Company is exposed to market risk with respect to its FVIS investments. Market risk is managed by investing in reputed funds which maintain investments in diversified portfolios and equity shares and by continuous monitoring of developments in equity markets. In addition, the key factors that affect stock market movements are monitored, including analysis of the operational and financial performance of investees. A 5% increase / (decrease) in net asset value of these funds can impact statement of insurance operations and accumulated surplus by SR 12,726 thousand (2015: SR 7,957 thousand) and statement of shareholder operations by SR 7,261 thousand (2015: SR 7,084 thousand).

Commission rate risk
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 is exposed to commission rate risk on its held to maturity investments and term deposits.

The Company is subject to commission rate fair value risk on its fixed rate murabaha deposits classified as term deposits in the statement of financial position. The company does not account for fixed commission rate instrument as held for trading or as FVIS investment. Accordingly there is no impact on the income or equity of reasonably possible change in commission rate.

The Company is required to maintain a restricted deposit in accordance with insurance regulations in Saudi Arabia on which the Company does not earn any commission. Management limits commission rate risk of other financial instruments by monitoring changes in commission rates in the currencies in which its financial instruments are denominated.

23 RISK MANAGEMENT (continued)

Financial risk (continued)

Commission rate risk (continued)

Insurance Operations

Details of maturities of the major classes of commission bearing securities for insurance operations as at 31 December 2016 and 2015 are as follows:

	2016 SR '000			
	Less than 1 year	*1 to 5 years*	*over 5 years*	*Total*
Investments held to maturity (note 9(b))	-	17,000	18,947	35,947
	-	17,000	18,947	35,947

	2015 SR '000			
	Less than 1 year	*1 to 5 Years*	*over 5 years*	*Total*
Investments held to maturity (note 9(b))	-	17,000	19,100	36,100
	-	17,000	19,100	36,100

The maturities of deposits have been determined on the basis of the remaining period, at the reporting date, to the contractual maturity date.

The effective interest rates for the commission bearing financial instruments were as follows:

	2016	*2015*
Saudi Riyal denominated financial assets	2.44%	2.67%

The following table demonstrates the sensitivity of statement of insurance operations to reasonably possible changes in interest rates, with all other variables held constant.

	2016 SR'000 Effect on profit	*2015 SR'000 Effect on profit*
Saudi Riyals:		
Increase in interest rates by 100 basis points	148	110
Decrease in interest rates by 100 basis points	(148)	(110)

Details of maturities of the major classes of commission bearing securities for shareholders' operations as at 31 December 2016 and 2015 are as follows:

Shareholder Operations

	2016 SR '000			
	Less than 1 year	*1 to 5 years*	*over 5 years*	*Total*
Investments held to maturity	-	-	13,755	13,755
	-	-	13,755	13,755

	2015 SR '000			
	Less than 1 year	*1 to 5 Years*	*over 5 years*	*Total*
Investments held to maturity	-	-	10,147	10,147
	-	-	10,147	10,147

23 RISK MANAGEMENT (continued)

Financial risk (continued)

Commission rate risk (continued)

The maturities of deposits have been determined on the basis of the remaining period, at the reporting date, to the contractual maturity date. The effective interest rates for the commission bearing financial instruments were as follows:

	2016	*2015*
Foreign currency denominated financial assets	2.15%	3.08%

The following table demonstrates the sensitivity of statement of insurance operations to reasonably possible changes in commission rates, with all other variables held constant.

	2016	*2015*
	SR'000	*SR'000*
	Effect on profit	*Effect on profit*
Saudi Riyals:		
Increase in commission rates by 100 basis points	148	101
Decrease in commission rates by 100 basis points	(148)	(101)

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 losses due to exchange rate fluctuations as the insurance operations and shareholders' operations primarily deal in Saudi Riyals and in US Dollar which is pegged to Saudi Riyals.

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. All of the Company's underwriting activities are carried out in Saudi Arabia. For all classes of financial assets held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the financial statements at the reporting date.

The Company seeks to limit its credit risk with respect to customers by following the credit control policy and monitoring outstanding receivables on an ongoing basis in order to reduce the Company's exposure to bad debts. Management estimates specific impairment provision on a case by case basis. In addition to specific provisions, the Company also makes an additional portfolio provision, estimated on a collective basis, based on the ageing profile of the overdue premiums receivable. The Company seeks to limit its credit risk with respect to other counterparties by placing deposits with reputable banks.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.
The table below shows the maximum exposure to credit risk for the components of the statement of financial position:

	2016	*2015*
	SR' 000	*SR' 000*
Insurance' Operations		
Cash and cash equivalents	58,019	2,691
Term deposits	14,783	10,962
Premiums receivable, net	99,109	59,772
Held to maturity investments	35,947	36,100
Reinsurance receivables, net	509	1,553
Other receivables	36,749	10,135
Reinsurers' share of outstanding claims	6,376	7,408
	251,492	128,621

23 RISK MANAGEMENT (continued)

Credit risk (continued)

Shareholders' Operations	*2016* *SR' 000*	*2015* *SR' 000*
Cash and cash equivalents	11	8
Other receivables	132	109
Held to maturity investments	13,755	10,147
	13,898	10,264

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 monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

All of the Company's financial assets and financial liabilities are expected to be realised and settled, respectively within 12 months from the reporting date, except for statutory deposit, which has no term (see note 14), and held to maturity assets, which are expected to be held until their maturities as mentioned in commission rate risk disclosure above. All financial liabilities are non-interest bearing.

24 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction.

The Company's financial assets consist of cash and cash equivalents, term deposits, investments, premiums receivable, reinsurance receivables, other receivables, amount due from related parties and reinsurance share of outstanding claims and its financial liabilities consist of outstanding claims, policyholders' claims, reinsurance payable, other payables and amount due to a related party. The fair values of financial assets and liabilities, except for held to maturity investments, are not materially different from their carrying values at the reporting date.

Determination of fair value and fair value hierarchy

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

Level 1: quoted prices in active markets for the identical assets or liabilities (i.e. without modification or repacking).

Level 2: quoted prices in active markets for similar financial assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

The table below presents the financial instruments at their fair values as at 31 December 2016 and 2015:

2016	*Level 1* *SR'000*	*Level 2* *SR'000*	*Level 3* *SR'000*	*Total* *SR'000*
FVIS investments				
- Policyholders operations	-	254,516	-	254,516
- Shareholders operations	-	145,210	-	145,210
Total	-	399,726	-	399,726

2015	*Level 1* *SR'000*	*Level 2* *SR'000*	*Level 3* *SR'000*	*Total* *SR'000*
FVIS investments				
- Policyholders operations	-	159,137	-	159,137
- Shareholders operations	-	141,684	-	141,684
Total	-	300,821	-	300,821

The Company determines Level 2 fair values for FVIS investments based on the net assets value of the respective funds as at the end of the reporting period.

25 COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform with the presentation in the current year.

26 BOARD OF DIRECTORS' APPROVAL

These financial statements have been approved by the Board of Directors on 5 March 2017 (corresponding to 6 Jamaad Al Thani 1438H).