SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
AND INDEPENDENT AUDITORS' REPORT

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2016

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PKF
Audit – Consultants – Zakat & Tax

Al-Bassam & Al-Nemer
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(Member firm of PKF International)

Alnaim

INDEPENDENT AUDITORS' REPORT

To the Shareholders
Saudi United Cooperative Insurance Company (WALA'A)
Al-Khobar, Saudi Arabia

Scope of audit:

We have audited the accompanying statement of financial position of Saudi United Cooperative Insurance Company (Wala'a) - a Saudi Joint Stock Company ("the Company") as at December 31, 2016, and the related statements of insurance operations and surplus, shareholders' income, shareholders' comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders' operations' cash flows for the year then ended and the notes from 1 to 29 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 Regulations for Companies and the Company's bylaws and presented 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 the 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 policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 December 31, 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 matter

We draw attention to Note 2 to the accompanying financial statements. These financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia.

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SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A Saudi Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
(All amounts expressed in Saudi Riyals unless otherwise stated)

		As at December 31,	
	Note	**2016**	**2015**
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	4	**594,417,666**	373,227,369
Premiums and insurance balances receivable - net	5	**108,618,465**	112,800,451
Reinsurers' share of unearned premiums	6	**136,567,861**	118,439,083
Reinsurers' share of outstanding claims	7	**150,768,131**	176,953,817
Deferred policy acquisition costs	8	**32,539,705**	22,812,919
Due from shareholders' operations		**-**	1,250,230
Prepaid expenses and other assets	9	**43,723,891**	33,629,989
Property and equipment	10	**9,699,592**	4,826,676
TOTAL INSURANCE OPERATIONS' ASSETS		**1,076,335,311**	843,940,534
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	4	**289,937,528**	213,979,283
Accrued commission income		**-**	534,935
Available-for-sale investments	11	**109,622,059**	84,725,686
Due from insurance operations		**19,858,373**	-
Accrued commission on statutory deposit	12	**2,141,976**	1,350,228
Statutory deposit	12	**40,000,000**	40,000,000
TOTAL SHAREHOLDERS' ASSETS		**461,559,936**	340,590,132
TOTAL ASSETS		**1,537,895,247**	1,184,530,666

(Continued)

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

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A Saudi Joint Stock Company)
STATEMENT OF FINANCIAL POSITION *(Continued)*
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	As at December 31, 2016	2015
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Liabilities arising from insurance contracts:			
Unearned premiums	6	**495,320,464**	349,482,711
Outstanding claims	7	**430,279,310**	359,011,104
Total liabilities arising from insurance contracts		**925,599,774**	708,493,815
Additional premium reserves	15	**753,096**	36,857,733
Other technical reserves	16	**10,470,386**	5,554,502
Accrued and other liabilities	13	**74,961,335**	64,768,393
Reinsurance balances payable		**15,668,443**	10,015,562
Unearned reinsurance commission	14	**7,209,372**	10,279,353
Due to shareholders' operations		**19,858,373**	-
End-of-service indemnities	17	**7,267,787**	5,823,730
Total insurance operations' liabilities		**1,061,788,566**	841,793,088
Insurance operations' surplus		**14,546,745**	2,147,446
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS		**1,076,335,311**	843,940,534
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued and other liabilities	13	**23,930,265**	15,315,895
Commission on statutory deposit payable	12	**2,141,976**	1,350,228
Due to insurance operations		**-**	1,250,230
		26,072,241	17,916,353
Shareholders' equity			
Share capital	18	**400,000,000**	400,000,000
Share premium	18	**30,107,690**	30,107,690
Statutory reserve	19	**5,975,767**	-
Retained earnings/(accumulated losses)		**23,903,066**	(78,438,710)
Fair value reserve	11	**(24,498,828)**	(28,995,201)
Total shareholders' equity		**435,487,695**	322,673,779
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		**461,559,936**	340,590,132
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS, SHAREHOLDERS' LIABILITIES AND EQUITY		**1,537,895,247**	1,184,530,666
CONTINGENCIES	27		

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

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A Saudi Joint Stock Company)
STATEMENT OF INSURANCE OPERATIONS AND SURPLUS
(All amounts expressed in Saudi Riyals unless otherwise stated)

		Year ended December 31,	
	Note	**2016**	**2015**
REVENUES			
Gross premiums written	23	**1,016,608,255**	752,993,202
Reinsurance premiums ceded		**(250,928,979)**	(213,645,813)
Excess of loss expenses		**(10,880,595)**	(12,965,069)
Net premiums written	6	**754,798,681**	526,382,320
Changes in unearned premiums, net	6	**(127,708,975)**	(90,682,330)
Net premiums earned	6	**627,089,706**	435,699,990
Reinsurance commissions	14	**20,347,401**	18,114,883
Other underwriting income		**4,995,002**	2,606,096
Total revenues		**652,432,109**	456,420,969
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	7	**363,641,185**	382,415,280
Reinsurers' share of claims paid	7	**(55,139,142)**	(89,489,072)
Net claims paid	7	**308,502,043**	292,926,208
Changes in outstanding claims, net	7	**97,453,892**	90,043,671
Net claims incurred	7	**405,955,935**	382,969,879
Additional premium reserves	15	**(36,104,637)**	9,495,087
Other technical reserves	16	**4,915,884**	5,154,502
Policy acquisition costs	8	**62,381,137**	45,268,064
Other underwriting expenses		**28,772,730**	18,592,473
Total underwriting costs and expenses		**465,921,049**	461,480,005
Net underwriting income/(loss)		**186,511,060**	(5,059,036)
OTHER OPERATING EXPENSES, NET			
Operating and administrative salaries	20	**(44,085,581)**	(34,794,611)
General and administrative expenses	21	**(24,757,144)**	(19,426,138)
Commission income on bank deposits		**6,324,652**	12,188
Total other operating expenses, net		**(62,518,073)**	(54,208,561)
Net surplus/ (deficit) from insurance operations		**123,992,987**	(59,267,597)
Shareholders' (appropriation of surplus)/ absorption of deficit		**(111,593,688)**	59,267,597
Net result from insurance operations		**12,399,299**	-
Insurance operations' surplus, beginning of the year		**2,147,446**	2,147,446
Insurance operations' surplus, end of the year		**14,546,745**	2,147,446

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

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A Saudi Joint Stock Company)
STATEMENT OF SHAREHOLDERS' INCOME
(All amounts expressed in Saudi Riyals unless otherwise stated)

		Year ended December 31,	
	Note	**2016**	**2015**
Net surplus/ (deficit) transferred from insurance operations		**111,593,688**	(59,267,597)
Commission income on bank deposits		**6,225,046**	1,307,320
Dividends and realized gains on investments	11	**2,719,815**	2,319,645
General and administrative expenses	21	**(3,221,002)**	(624,370)
Net income/ (loss) for the year		**117,317,547**	(56,265,002)
Basic and diluted earnings/ (loss) per share	26	**2.93**	(1.65)
Weighted average number of outstanding shares		**40,000,000**	34,093,151

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

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A Saudi Joint Stock Company)
STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
(All amounts expressed in Saudi Riyals unless otherwise stated)

		Year ended December 31,	
	Note	**2016**	**2015**
Net income/ (loss) for the year		**117,317,547**	(56,265,002)
Provision for zakat and income tax	22	**(9,000,004)**	(3,999,996)
Net income/ (loss) for the year after zakat and income tax		**108,317,543**	(60,264,998)
Items that may subsequently be reclassified to the statement of shareholders' income:			
Unrealized fair value changes on available-for-sale investments, net	11	**4,496,373**	(15,556,956)
Total comprehensive income/ (loss) for the year		**112,813,916**	(75,821,954)
Basic and diluted earnings/ (loss) per share	26	**2.82**	(2.22)
Weighted average number of outstanding shares		**40,000,000**	34,093,151

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

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A Saudi Joint Stock Company)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Share capital	Share premium	Statutory reserve	Retained earnings'/ Accumulated Losses)	Fair value reserve	Total
Balance at January 1, 2015	200,000,000	-	-	(18,173,712)	(13,438,245)	168,388,043
Additional capital introduced	200,000,000	-	-	-	-	200,000,000
Share Premium, net of right issue costs	-	30,107,690	-	-	-	30,107,690
Net loss for the year	-	-	-	(56,265,002)	-	(56,265,002)
Provision for zakat and income tax	-	-	-	(3,999,996)	-	(3,999,996)
Unrealized fair value changes on available-for-sale investments, net	-	-	-	-	(15,556,956)	(15,556,956)
Balance at December 31, 2015	400,000,000	30,107,690	-	(78,438,710)	(28,995,201)	322,673,779
Balance at January 1, 2016	400,000,000	30,107,690	-	(78,438,710)	(28,995,201)	322,673,779
Net profit for the year	-	-	-	**117,317,547**	-	**117,317,547**
Provision for zakat and income tax	-	-	-	**(9,000,004)**	-	**(9,000,004)**
Transfer to statutory reserve	-	-	**5,975,767**	**(5,975,767)**	-	-
Unrealized fair value changes on available-for-sale investments, net	-	-	-	-	**4,496,373**	**4,496,373**
Balance at December 31, 2016	**400,000,000**	**30,107,690**	**5,975,767**	**23,903,066**	**(24,498,828)**	**435,487,695**

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

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A Saudi Joint Stock Company)
STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus from insurance operations		**12,399,299**	-
Adjustments for non-cash items:			
Additional premium reserves		**(36,104,637)**	9,495,087
Other technical reserves		**4,915,884**	5,154,052
Allowance for doubtful debts		**2,565,459**	2,600,405
Depreciation	10	**2,360,269**	2,141,739
Loss on assets written off / disposal		**307,090**	298
End-of-service indemnities		**1,865,905**	1,779,632
		(11,690,731)	21,171,213
Changes in operating assets and liabilities:			
Premiums and insurance balances receivable, net		**1,616,527**	(12,501,492)
Reinsurers' share of unearned premiums		**(18,128,778)**	518,976
Reinsurers' share of outstanding claims		**26,185,686**	62,825,961
Deferred policy acquisition costs		**(9,726,786)**	(7,274,103)
Prepaid expenses and other assets		**(10,093,902)**	(23,233,278)
Due from/ (to) shareholders' operations		**21,108,603**	(13,279)
Accrued commission income		**-**	74,063
Unearned premiums		**145,837,753**	90,163,354
Outstanding claims		**71,268,206**	27,217,710
Accrued and other liabilities		**10,192,942**	17,721,528
Reinsurance balances payable		**5,652,881**	(14,136,736)
Unearned reinsurance commission		**(3,069,981)**	1,270,947
End of service paid		**(421,848)**	(160,426)
Net cash generated from operating activities		**228,730,572**	163,644,438
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	10	**(7,540,275)**	(1,397,903)
Sale proceeds from disposal		**-**	2,500
Net cash used in investing activities		**(7,540,275)**	(1,395,403)
Net increase in cash and cash equivalents		**221,190,297**	162,249,035
Cash and cash equivalents, beginning of the year		**373,227,369**	210,978,334
Cash and cash equivalents, end of the year	4	**594,417,666**	373,227,369
Supplemental cash flow information:			
Non-cash investing activity:			
Reclassification of intangible asset		**-**	(1,710,558)

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

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A Saudi Joint Stock Company)
STATEMENT OF SHAREHOLDERS' OPERATIONS' CASH FLOWS
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income/ (loss) for the year		**117,317,547**	(56,265,002)
Adjustments for:			
Commission income on bank deposits		**(6,225,046)**	(1,307,320)
Dividend and realized fair value changes on available-for-sale investments	11	**(2,719,815)**	(2,319,645)
		108,372,686	(59,891,967)
Changes in operating assets and liabilities:			
Accrued commission on statutory deposit		**(791,748)**	(268,949)
Commission on statutory deposit payable		**791,748**	268,949
Prepaid expenses and other assets		**-**	1,139,024
Due from/ (to) insurance operations		**(21,108,603)**	13,279
Accrued and other liabilities		**222,171**	(1,107,884)
Cash generated from/(used in) operating activities		**87,486,254**	(59,847,548)
Zakat and income tax paid	22	**(607,805)**	(1,206,084)
Net cash generated from/ (used in) operating activities		**86,878,449**	(61,053,632)
CASH FLOWS FROM INVESTING ACTIVITIES			
Movement in other financial assets, net	11	**(20,400,000)**	(20,997,809)
Investment and commission income received		**9,479,796**	2,823,081
Net cash used in investing activities		**(10,920,204)**	(18,174,728)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase of share capital		**-**	200,0000,000
Share premium, net		**-**	30,107,690
Statutory deposit		**-**	(20,0000,000)
Net cash generated from financing activities		**-**	210,107,690
Net change in cash and cash equivalents		**75,958,245**	130,879,330
Cash and cash equivalents, beginning of the year		**213,979,283**	83,099,953
Cash and cash equivalents, end of the year	4	**289,937,528**	213,979,283
Supplemental cash flow information:			
Non-cash operating activity:			
Zakat and income tax charged to shareholders' comprehensive income	22	**(9,000,004)**	(3,999,996)
Unrealised fair value changes on available for sale investments, net	11	**4,496,373**	(15,556,956)

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

1. General information

The Saudi United Cooperative Insurance Company ("the Company") is a Saudi Joint Stock Company established in Al Khobar, Kingdom of Saudi Arabia and incorporated on 19 Jumada II 1428H corresponding to July 4, 2007 under Commercial Registration No. 2051034982.

The principal activities of the Company are to transact cooperative insurance operations and all related activities in accordance with the Law on Supervision of Cooperative Insurance Companies (the "Law") and it's implementing regulations in the Kingdom of Saudi Arabia. The Company was granted the license (number TMN/16/2008) to practice general and medical insurance and re-insurance business from the Saudi Arabian Monetary Agency (SAMA) on 28 Jumada II 1429 H corresponding to July 2, 2008.

On April 23, 2014 (corresponding to 23 Jumada II 1435H), the Company received an approval from SAMA for increasing its ordinary share capital by SAR 200 million, by way of issuance of right shares to its existing shareholders. On March 2, 2015 the Company obtained the approval from the Capital Market Authority (CMA) to increase its share capital by way of rights issue valued at SR 200 million with share premium of SR 40 million. The shareholders approved rights issue of SR 200 million in the extra-ordinary general meeting held on 27 April 2015 corresponding to 8 Rajab 1436H. The legal formalities were completed and the share capital has been increased from SR 200 Million to SR 400 Million in 2015.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

2.1 Basis of preparation

The Company has prepared the accompanying financial statements under the historical cost convention on the accrual basis of accounting, except for available-for-sale investments, which have been measured at fair value in the statement of financial position and shareholders' comprehensive operations, and in conformity with the International Financial Reporting Standards (IFRS). Accordingly, these financial statements are not intended to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia, i.e. in accordance with the standards issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

As required by the Law, the Company maintains separate accounts for insurance operations and shareholders' operations and presents the financial statements accordingly. 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 of the Company.

"The Ministry of Commerce and Investment commenced the implementation of the new Companies Regulations effective 25 Rajab 1437H corresponding to 2 May 2016 ("the effective date"). The new regulations shall replace the Companies Regulations promulgated by Royal Decree No. Ml6 dated 22 Rabi'l 1385H and it shall supersede all provisions that are inconsistent therewith. Companies existing as at the effective date of the regulations shall make all necessary amendments to their Article of Association /By Laws to comply with the requirements of the provisions of the new companies regulations within a period of one year of the effective date of the companies' regulations. During the year /subsequent to balance sheet date, the company's Board of Directors and management have resolved to make the necessary amendments to the company's Article of Association/By Laws as required by the new regulations. Management expects to complete all formalities prior to the end of the grace period granted by the new regulations (24 Rajab 1438H corresponding to 21 April 2017). Accordingly, these financial statements have prepared in accordance with the old Companies Regulations."

(All amounts expressed in Saudi Riyals unless otherwise stated)

2. Summary of significant accounting policies (continued)

As per the by-laws of the Company and the Implementing Regulations for Insurance Companies (the "Regulations"), the surplus arising from the insurance operations is distributed as follows:

Transfer to shareholders' operations	90%
Transfer to insurance operations' accumulated surplus	10%
	100%

If the insurance operations result in a deficit, the entire deficit is borne by the shareholders' operations.

2.2 New and amended standards and interpretations

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and the impact of each new standard and amendment is described below. Although these new standards and amendments applied for the first time in 2016, they did not have a material impact on the annual financial statements of the Company.

IFRS 14 Regulatory Deferral Accounts
IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

Since the Company is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are applied prospectively. These amendments do not have any impact on the Company as there has been no interest acquired in a joint operation during the period.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Company, given that it has not used a revenue-based method to depreciate its non-current assets.

2. Summary of significant accounting policies (continued)

2.2 New and amended standards and interpretations (continued)

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 Agriculture. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are applied retrospectively and do not have any impact on the Company as it does not have any bearer plants.

IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply.
The amendments are applied retrospectively and do not have any impact on the Company as it does not have any bearer plants.

Amendments to IAS 27: Equity Method in Separate Financial Statements
The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements must apply that change retrospectively. These amendments do not have any impact on the Company’s financial statements.

Annual Improvements 2012-2014 Cycle
These improvements include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures
(i) Servicing contracts
The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements
The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 Employee Benefits
The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

2. Summary of significant accounting policies (continued)

2.2 New and amended standards and interpretations (continued)

These amendments do not have any impact on the Company's financial statements.

Amendments to IAS 1 Disclosure Initiative
The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

The materiality requirements in IAS 1
That specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position may be disaggregated. That entities have flexibility as to the order in which they present the notes to financial statements

That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. These amendments do not have any impact on the Company.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments are applied retrospectively and do not have any impact on the Company as the Company does not apply the consolidation exception.

The following new standards and amendments have been issued by the International Accounting Standards Board ("IASB") but are not yet mandatory as of 31 December 2016:

- Amendments to IFRS 4 Applying IFRS 9 Financial instruments with IFRS 4 Insurance Contracts (effective 1 January 2018)
- IFRS 16 - Leases (effective 1 January 2019)
- IFRS 9 - Financial Instruments (effective 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)

The management is considering the implications of these standards and amendments, their impact on the Company's financial position and results and the timing of their adoption by the Company.

2. Summary of significant accounting policies (continued)

2.3 Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and the Company's financial statements present fairly, in all material respects, the financial position and results of operations. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.4 Product classification

2.4.1 Insurance contracts

Insurance contracts are those contracts when 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 comparing benefits paid with benefits payable if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

2.4.2 Investment contracts

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or the other variable.

Investment contracts can however be reclassified as insurance contracts after inception if insurance risk becomes significant.

2.5 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. For management purposes, the Company is organized into business units based on their products and services and has five reportable operating segments as follows:

- Medical insurance provides coverage for health insurance.
- Motor insurance provides coverage for vehicles' insurance.
- Property insurance provides coverage for property insurance.
- Engineering insurance provides coverage for engineering and contract works.
- Other insurance provides coverage for marine and other general insurance.

2. Summary of significant accounting policies (continued)

2.5 Segment reporting (continued)

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

No inter-segment transactions occurred during the year. If any transaction was to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties.

Shareholders' income 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.

2.6 Functional and presentation currency

The Company's books of account are maintained in Saudi Riyals which is also the functional currency of the Company. Transactions denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing on the dates of such transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Saudi riyals at rates prevailing on the reporting date. All differences are taken to the statements of insurance operations or to the statement of shareholders' operations as appropriate.

2.7 Property and equipment

Property and equipment are initially recorded at cost and are subsequently stated at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of insurance operations and surplus during the financial period in which they are incurred. Depreciation is charged to the statement of insurance operations and surplus, using the straight-line method, to allocate costs of the related assets to their residual values over the estimated useful lives as follows:

	Years
Computer equipment	4
Furniture, fixture and office equipment	5
Vehicles	4

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the statement of insurance operations and surplus.

The carrying values of furniture, fixtures and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair values less costs to sell and their value in use.

2. Summary of significant accounting policies (continued)

2.8 Financial assets

2.8.1 Classification

The Company classifies its financial assets in the following categories: loans and receivables, available-for-sale investments and held-to-maturity investments. The classification is determined by management at initial recognition and depends on the purpose for which the financial asset were acquired or originated.

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short term or that it has designated as available-for-sale. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

b) Available-for-sale investments

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices and are designated as such at inception.

c) Held-to-maturity investments

Investments which have fixed or determined payments and the Company has the positive intention and ability to hold to maturity are classified under this category.

2.8.2 Recognition, measurement and de-recognition

Purchases and sale of available-for-sale investments are recognised on the trade-date, which is the date on which the Company commits to purchase or sell the investment. Available-for-sale investments are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition and are subsequently carried at fair value.

Changes in the fair value of available-for-sale investments are recognised in statements of shareholders' comprehensive operations and financial position for shareholders' operations, if it is allocated to shareholders.

Loans and receivable and Investments, held-to-maturity are carried at amortized costs less provision for impairment in value

Amortized cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognized in the statement of shareholders' income, if investment is allocated to shareholders, when the investment is derecognized or impaired.

Financial assets are de-recognised when the rights to receive cash flows from those assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. When available-for-sale investments are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statements of the insurance operations or shareholders' comprehensive operations as 'gains and losses from available-for-sale investments'. Commission on available-for-sale investments calculated using the effective interest method is recognised in the income statement as part of other income.

2. Summary of significant accounting policies (continued)

2.8 Financial assets (continued)

2.8.3 Determination of fair values

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, fair value is determined using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, and other valuation techniques commonly used by market participants. Interest on available-for-sale securities calculated using the effective interest method is recognized in the statement of insurance operations and accumulated surplus and statement of shareholders' income. Dividends on available-for-sale equity instruments are recognized in statement of insurance operations and accumulated surplus and statement of shareholders' income when the Company's right to receive payments is established. Both are included in the commission income line.

2.8.4 Impairment of financial assets

(a) Financial assets carried at amortised cost

The Company assesses at each end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account.

(b) Available-for-sale investments

The Company assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss.

The cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from shareholders' equity and recognised in the statement of insurance / shareholders' operations. If in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the statement of insurance / shareholders' operations.

2.9 Premiums receivable

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

2. Summary of significant accounting policies (continued)

2.10 Reinsurance

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables, if any, that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

At each reporting date, the Company assesses whether there is any indication that any reinsurance assets may be impaired. Where an indicator of impairment exists, the Company makes an estimate of the 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.

2.11 Deferred policy acquisition costs

Commissions paid to intermediaries and other incremental direct costs incurred in relation to the acquisition and renewal of insurance contracts is recognized as "Deferred policy acquisition costs". The deferred policy acquisition costs are subsequently amortised over the period of the insurance contracts.

2.12 Claims

Claims, comprising amounts payable to policyholders and third parties and related loss adjustment expenses, are charged to the 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.

The Company generally estimates its claims based on previous experience. In addition, a provision based on management's judgment is maintained for the cost of settling claims incurred but not reported at the reporting date. Any difference between the provisions at the reporting date and settlements for the following period is included in the statement of insurance operations for that period.

2.13 Salvage and subrogation reimbursement

Some insurance contracts permit the Company to sell (usually damaged) asset acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage recoveries are included in premium receivable, which can reasonably be recovered on the disposal of the salvage and subrogated property.

Subrogation reimbursements are recorded in the prepaid expenses and other assets of the insurance which can be recovered from the action against the liable third party.

2. Summary of significant accounting policies (continued)

2.14 Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contracts liabilities net of related deferred policy acquisition costs. In performing these tests, management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of insurance operations initially by writing off the related deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests (the un-expired risk provision).

Where the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

2.15 Short-term deposits

Short-term deposits comprise of time deposits with banks with maturity periods of more than three months and less than one year from the date of acquisition

2.16 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, cash at banks and short term deposits with an original maturity of less than three months at the date of acquisition. It also includes short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value.

2.17 Unearned reinsurance commission

Commission income on outwards reinsurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate, similar to premiums earned. Amortisation is recorded in the statement of insurance operations and accumulated surplus.

2.18 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.
When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.19 Payables and other liabilities

Payables and the liabilities are recognized initially at fair value and measured at amortized cost using effective interest rate method. Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Company.

2. Summary of significant accounting policies (continued)

2.20 End-of-service indemnities

End-of-service indemnities required by Saudi Labor and Workman Law are accrued by the Company and charged to the statement of insurance operations and accumulated surplus. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the reporting date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labor law of Saudi Arabia.

2.21 Zakat and income taxes

In accordance with the regulations of the General Authority of Zakat and Income Tax ("GAZT"), the Company is subject to zakat attributable to the Saudi shareholders and to income tax attributable to the foreign shareholders. Provision for zakat and income tax is charged to the statement of shareholders' comprehensive operations. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. Zakat is computed on the Saudi shareholders' share of equity and / or net income using the basis defined under the regulations of DZIT. Income tax is computed on the foreign shareholders' share of net income for the year. Zakat and income tax are charged to retained earnings as these are liabilities of the shareholders.

Deferred income tax, when applicable, on all major temporary differences between financial income and taxable income are recognized during the period in which such differences arise, and are adjusted when related temporary differences are reversed. Deferred income tax are determined using tax rates which have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The Company withholds taxes on certain transactions with non-resident parties, including dividend payments to foreign shareholders, in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law. Withholding taxes paid on behalf of non-resident parties, which are not recoverable from such parties, are expensed.

2.22 De-recognition of financial liabilities

Financial liabilities, insurance, reinsurance payable and other payables are derecognised when the obligation under the liability is discharged, cancelled or expired. When the existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of insurance/shareholders' operations.

2.23 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the statement of insurance operations and surplus and shareholders' operations unless required or permitted by any accounting standard or interpretation.

2.24 Revenue recognition

(a) Recognition of premium and commission revenue

Gross premiums and commissions are recognized with the commencement of the insurance risks. The portions of premiums and commission that will be earned in the future are reported as unearned premiums and commissions, respectively, and are deferred on a basis consistent with the term of the related policy coverage.

2. Summary of significant accounting policies (continued)

2.24 Revenue recognition (continued)

Premiums earned on reinsurance assumed, if any, are recognised as revenue in the same manner as if the reinsurance premiums were considered to be gross premiums.

(b) Commission income

Commission income on time deposits and held-to-maturity investments is recognized on a time proportion basis using the effective interest rate method.

(c) Dividend income

Dividend income is recognized when the right to receive a dividend is established.

2.25 Leasing

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight line basis over the term of the operating lease.

2.26 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.

2.27 Surplus from insurance operations

In accordance with the requirements of the Implementing Regulations for Co-operative Insurance (the Regulations) issued by SAMA, 90% of the net surplus from insurance operations is transferred to the statement of shareholders' income, while 10% of the net surplus is distributable to policyholders. Such surplus distributable to policyholders is disclosed under "Insurance operations' surplus".

3. Critical accounting estimates and judgments

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are addressed below:

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that needed to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the reporting date, for which the insured event has occurred prior to the reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property and engineering claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on quarterly basis.

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.

(All amounts expressed in Saudi Riyals unless otherwise stated)

3. Critical accounting estimates and judgements (continued)

Unexpired risk and other technical reserves

At each balance sheet date, liability adequacy tests are performed separately for each class of business to ensure the adequacy of the unearned premium liability for that class. It is performed by comparing the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after balance sheet date in respect of policies in force at balance sheet date with the carrying amount of unearned premium liability. Any deficiency is recognised by establishing a provision (unexpired risk reserve) to meet the deficit.

The expected future liability is estimated with reference to the experience during the expired period of the contracts, adjusted for significant individual losses which are not expected to recur during the remaining period of the policies, and expectations of future events that are believed to be reasonable.

The movement in the unexpired risk and other technical reserves is recognised as an expense or income in the statement of insurance operations for the year.

Impairment of premiums and insurance balances receivable

An estimate of the uncollectible amount of premium receivable, if any, is made when collection of the full amount of the receivables as per the original terms of the insurance policy is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due and Company’s past experience.

Impairment of available-for-sale investments

The Company treats available-for-sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires considerable judgment. In addition, the Company evaluates other factors, including normal volatility in share price for quoted investments and the future cash flows and the discount factors for unquoted investments.

4. Cash and cash equivalents

	2016	2015
Insurance operations		
Cash in hand	**67,000**	67,000
Cash at banks	**594,350,666**	373,160,369
	594,417,666	373,227,369

	2016	2015
Shareholders’ operations		
Cash at banks	**289,937,528**	-
Bank deposits*	**-**	213,979,283
	289,937,528	213,979,283

*Deposits were placed with local banks with an original maturity of less than 3 months, from the date of placement and earned commission income at nominal interest rates.

(All amounts expressed in Saudi Riyals unless otherwise stated)

5. Premiums and insurance balances receivable - net

	2016	**2015**
Premiums receivable	**129,101,822**	130,768,288
Insurance and reinsurance receivable	**1,643,395**	1,593,456
	130,745,217	132,361,744
Less: allowance for doubtful debts	**(22,126,752)**	(19,561,293)
	108,618,465	112,800,451

Movement in the allowance for doubtful debts is as follows:

	2016	**2015**
At January 1,	**19,561,293**	16,960,888
Provision for the year (Note 21)	**2,565,459**	2,600,405
At December 31,	**22,126,752**	19,561,293

The aging of receivable balances arising from premiums and insurance and reinsurance is as follows:

Premiums receivable

			Past due but not impaired		
	Total	**Neither impaired nor past due**	**91-180 days**	**181-360 days**	**More than 360 days**
2016	**108,129,972**	**58,180,823**	**25,022,000**	**18,081,918**	**6,845,231**
2015	112,220,364	68,090,745	21,138,500	17,537,480	5,453,639

Insurance and reinsurance receivable

	Total	**Neither impaired nor past due**	**91-180 days**	**181-360 days**	**More than 360 days**
2016	**488,493**	**-**	**-**	**-**	**488,493**
2015	580,087	59,016	54,855	148,109	318,107

Premium and reinsurance balances receivables comprise a large number of customers mainly within the Kingdom of Saudi Arabia and reinsurance companies both in Kingdom of Saudi Arabia and Europe. Insurance premium and reinsurance balance receivable include SR 1,409,385 (2015: SR. 349,255) due in foreign currencies, mainly US dollars. The Company's term of business generally requires premiums to be settled within 90 days. Arrangements with reinsurers normally require settlement if the balance exceeds a certain agreed amount. No individual or company accounts for more than 6% of the premium receivable as December 31, 2016 (2015: 21%). In addition, five largest customers accounts for 19% of the premium receivable as at December 31, 2016 (2015: 43%).

Unimpaired receivables are expected to be fully recoverable. It is not practice of the company to obtain collateral over recoveries and vast majority is, therefore, unsecured.

(All amounts expressed in Saudi Riyals unless otherwise stated)

6. Unearned premiums

	Year ended December 31, 2016	2015
At January 1,		
Unearned premiums	**349,482,711**	259,319,357
Reinsurers' share of unearned premiums	**(118,439,083)**	(118,958,059)
	231,043,628	140,361,298
Net premiums written during the year	**754,798,681**	526,382,320
Net premiums earned during the year	**(627,089,706)**	(435,699,990)
Changes in unearned premiums, net	**127,708,975**	90,682,330
At December 31,		
Unearned premiums	**495,320,464**	349,482,711
Reinsurers' share of unearned premiums	**(136,567,861)**	(118,439,083)
	358,752,603	231,043,628

7. Outstanding claims

	2016		
	Gross	**Reinsurers' share**	**Net**
Claims			
Balance, beginning of the year	**(359,011,104)**	**176,953,817**	**(182,057,287)**
Claims paid during the year	**363,641,185**	**(55,139,142)**	**308,502,043**
Balance, end of the year	**430,279,310**	**(150,768,131)**	**279,511,179**
Claims incurred during the year	**434,909,391**	**(28,953,456)**	**405,955,935**

Analysis of outstanding claims
At December 31,

	Gross	Reinsurers' share	Net
Balance, beginning of the year	**(359,011,104)**	**176,953,817**	**(182,057,287)**
Reported claims	**207,513,614**	**(135,438,305)**	**72,075,309**
Claims incurred but not reported (IBNR)	**222,765,696**	**(15,329,826)**	**207,435,870**
Changes in outstanding claims	**71,268,206**	**26,185,686**	**97,453,892**

(All amounts expressed in Saudi Riyals unless otherwise stated)

7. Outstanding claims (Continued)

	2015		
	Gross	**Reinsurers' share**	**Net**
Claims			
Balance, beginning of the year	(331,793,394)	239,779,778	(92,013,616)
Claims paid during the year	382,415,280	(89,489,072)	292,926,208
Balance, end of the year	359,011,104	(176,953,817)	182,057,287
Claims incurred during the year	409,632,990	(26,663,111)	382,969,879
Analysis of outstanding claims			
At December 31,			
Balance, beginning of the year	(331,793,394)	239,779,778	(92,013,616)
Reported claims	203,744,311	(148,434,139)	55,310,172
Claims incurred but not reported (IBNR)	155,266,793	(28,519,678)	126,747,115
Changes in outstanding claims	27,217,710	62,825,961	90,043,671

8. Deferred policy acquisition costs

	2016	**2015**
At January 1,	**22,812,919**	15,538,816
Incurred during the year	**72,107,923**	52,542,167
Amortized during the year	**(62,381,137)**	(45,268,064)
At December 31,	**32,539,705**	22,812,919

9. Prepaid expenses and other assets

	2016	**2015**
Prepaid rent	**2,379,802**	1,121,316
Prepaid fees	**3,106,219**	2,198,892
Advances	**17,076,188**	9,057,668
Deposits and LG margins	**6,245,190**	2,456,690
Other assets	**2,754,732**	2,634,729
Other recoveries	**12,161,760**	16,160,694
	43,723,891	33,629,989

(All amounts expressed in Saudi Riyals unless otherwise stated)

10. Property and equipment

2016	**Computer equipment**	**Furniture, fixture and office equipment**	**Vehicles**	**Total**
Cost				
January 1, 2016	**6,851,539**	**6,897,268**	**375,170**	**14,123,977**
Additions	**1,445,552**	**6,094,724**	**-**	**7,540,276**
Disposal	**-**	**(2,223,133)**	**-**	**(2,223,133)**
At December 31, 2016	**8,297,091**	**10,768,859**	**375,170**	**19,441,120**
Accumulated depreciation				
January 1, 2016	**4,266,927**	**4,675,596**	**354,778**	**9,297,301**
Charge for the year	**1,393,350**	**946,527**	**20,392**	**2,360,269**
Disposal	**-**	**(1,916,042)**	**-**	**(1,916,042)**
At December 31, 2016	**5,660,277**	**3,706,081**	**375,170**	**9,741,528**
Net book amount				
December 31, 2016	**2,636,814**	**7,062,778**	**-**	**9,699,592**

2015	**Computer equipment**	**Furniture, fixture and office equipment**	**Vehicles**	**Total**
Cost				
January 1, 2015	4,205,250	6,446,096	375,170	11,026,516
Additions	935,731	462,172	-	1,397,903
Transfer from Intangible Assets	1,710,558	-	-	1,710,558
Disposal	-	(11,000)	-	(11,000)
At December 31, 2015	6,851,539	6,897,268	375,170	14,123,977
Accumulated depreciation				
January 1, 2015	3,129,076	3,732,262	302,426	7,163,764
Charge for the year	1,137,851	951,536	52,352	2,141,739
Disposal	-	(8,202)	-	(8,202)
At December 31, 2015	4,266,927	4,675,596	354,778	9,297,301
Net book amount				
December 31, 2015	2,584,612	2,221,672	20,392	4,826,676

(All amounts expressed in Saudi Riyals unless otherwise stated)

11. Investments

Available-for-sale investments

Available-for-sale investments include the following:

	2016	2015
Quoted securities	**106,898,981**	82,802,608
Unquoted securities	**2,723,078**	1,923,078
	109,622,059	84,725,686

Movement in available-for-sale investments is as follows:

	2016	2015
At January 1,	**84,725,686**	79,284,833
Purchases	**50,400,000**	26,678,032
Disposals	**(30,000,000)**	(5,680,223)
Unrealized fair value changes	**4,496,373**	(15,556,956)
At December 31,	**109,622,059**	84,725,686

Gains on investment

During the year ended December 31, 2016, the Company realized a gain amounting to SR. 2.3 million (2015: 2.3 million) on the sale of investments. In addition, dividend collections during the year amounted to SR. 0.4 million (2015: nil).

Fair value reserves

Movement in fair value reserve on available-for-sale investments is as follows:

	2016	2015
Opening balance	**(28,995,201)**	(13,438,245)
Unrealised gains during the year	**6,314,440**	-
Unrealised losses during the year	**(1,818,067)**	(15,556,956)
Closing balance	**(24,498,828)**	(28,995,201)

12. Statutory deposit

In accordance with the Regulations, the Company is required to maintain a statutory deposit of not less than 10% of its paid-up capital. The statutory deposit is maintained with a Saudi Arabian bank and can be withdrawn only with the consent of SAMA. The company does not earn any special commission out of such deposit.

(All amounts expressed in Saudi Riyals unless otherwise stated)

13. Accrued and other liabilities

a) Insurance operations

	2016	2015
Other payables	**48,571,460**	50,826,277
Accrued expenses	**11,997,663**	3,894,394
Provisions	**14,392,212**	10,047,722
	74,961,335	64,768,393

b) Shareholders' operations

	2016	2015
Accrued expenses	**222,171**	-
Zakat and income tax (note 22)	**23,708,094**	15,315,895
	23,930,265	15,315,895

14. Unearned reinsurance commission

	2016	2015
At January 1	**10,279,353**	9,008,856
Commission received during the year	**17,277,420**	19,385,380
Commission earned during the year	**(20,347,401)**	(18,114,883)
At December 31	**7,209,372**	10,279,353

15. Additional premium reserves

	2016	2015
At January 1	**36,857,733**	27,362,646
(Reversed)/ charged during the year	**(36,104,637)**	9,495,087
At December 31	**753,096**	36,857,733

16. Other technical reserves

	2016	2015
At January 1	**5,554,502**	400,000
Charged during the year	**4,915,884**	5,154,502
At December 31	**10,470,386**	5,554,502

(All amounts expressed in Saudi Riyals unless otherwise stated)

17. End-of-service indemnities

	2016	**2015**
At January 1,	**5,823,730**	4,204,524
Charged during the year	**1,865,905**	1,779,632
Paid during the year	**(421,848)**	(160,426)
At December 31,	**7,267,787**	5,823,730

18. Share capital

The authorized, issued and paid up share capital of the Company is Saudi Riyal 400 million at the year end and consisting of 40 million shares of Saudi Riyal 10 each.

On April 23, 2014 (corresponding to 23 Jumada II 1435H), the Company received an approval from SAMA for increasing its ordinary share capital by SAR 200 million, by way of issuance of right shares to its existing shareholders. On March 2, 2015, the Company obtained the approval from the Capital Market Authority (CMA) to increase its share capital by way of rights issue valued at SR 200 million with share premium of SR 40 million. The shareholders approved rights issue of SR 200 million in the extra-ordinary general meeting held on 27 April 2015 corresponding to 8 Rajab 1436H. As approved by the regulators and shareholders, 20 million ordinary shares were offered at an exercise price of SR 12 per share, the subscription period for which started on 5 May 2015 and ended on 25 May 2015. The legal formalities have been completed and the share capital has been increased from SR 200 Million to SR 400 Million in 2015.

19. Statutory reserve

In accordance with the Law, the Company is required to transfer not less than 20% of its annual net income, after adjusting accumulated losses, to a legal reserve until such reserve amounts to 100% of the paid-up share capital of the Company.

20. Related party transactions and balances

Related parties represent, major shareholders, directors and entities controlled, jointly or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's Board of Directors.

a) The significant transactions with related parties and the related approximate amounts during the year are as follows:

	Year ended December 31,	
	2016	**2015**
Gross premium received from directors and their related parties	**3,656,074**	9,692,077
Gross premium received from key management personnel	**9,762**	14,188
Gross claims paid to related parties and key management personnel	**9,917,145**	1,490,997

b) Compensation and other benefits of key management personnel of the Company:

	2016	**2015**
Salaries, benefits and incentives for the year	**6,269,372**	4,014,180
End of service indemnities charge for the year	**261,019**	237,535

(All amounts expressed in Saudi Riyals unless otherwise stated)

20. Related party transactions and balances (Continued)

c) Balances due (to) from related parties are comprised of the following:

	Year ended December 31, 2016	2015
Premiums (payable)/ receivable from key management personnel, directors and their related parties	**(166,100)**	677,790
Claims payable to directors and related parties	**(482,797)**	(8,322,769)

Outstanding balances at year end, with related parties, are unsecured and settlement occurs as per payment terms. There have been no guarantees provided or received for any related party receivables.

21. General and administrative expenses

a) Insurance operations

	Year ended December 31, 2016	2015
Provision for doubtful debts (Note 5)	**2,565,459**	2,600,405
Legal, regulatory and professional fees	**7,668,177**	5,280,631
Rent	**4,675,855**	3,759,958
Depreciation	**2,360,269**	2,141,739
Office supplies	**1,234,770**	1,056,838
Utilities	**2,092,602**	1,663,502
Marketing, advertising and promotion	**278,636**	268,854
Withholding tax	**1,390,154**	690,268
Training and education	**528,573**	178,184
Information technology	**45,283**	105,497
Other expenses	**1,917,366**	1,680,262
	24,757,144	19,426,138

b) Shareholders' operations

	Year ended December 31, 2016	2015
Employee related costs	**1,200,000**	-
Board members' fee and other expenses	**2,021,002**	624,370
	3,221,002	624,370

22. Zakat and income tax matters

(i) Provision for zakat and income tax

Provision for zakat has been made at 2.5% of the higher of approximate zakat base and adjusted net income attributable to the Saudi shareholders of the Company.

Income tax is payable at 20% of the adjusted net income attributable to the foreign shareholders of the Company.

(All amounts expressed in Saudi Riyals unless otherwise stated)

22. Zakat and income tax matters (Continued)

(ii) Components of zakat base

The principal elements of approximate zakat base are as follows:

	2016	**2015**
Shareholders' equity	**418,334,414**	151,339,292
Non-current liabilities	**24,211,147**	-
Non-current assets	**(151,036,925)**	(20,585,347)
Approximate zakat base	**291,508,636**	130,753,945

(iii) Movements in provision for zakat and income tax

Movements in provision for zakat and income tax as at December 31, 2016 and 2015 are as follows:

2016	**Zakat**	**Income tax**	**Total**
At January 1,	**15,337,058**	**(21,163)**	**15,315,895**
Payments	**(607,805)**	**-**	**(607,805)**
Provision for the year	**7,602,979**	**1,397,025**	**9,000,004**
At December 31,	**22,332,232**	**1,375,862**	**23,708,094**

2015	**Zakat**	**Income tax**	**Total**
At January 1,	12,320,946	201,037	12,521,983
Payments	(983,884)	(222,200)	(1,206,084)
Provision for the year	3,999,996	-	3,999,996
At December 31,	15,337,058	(21,163)	15,315,895

Deferred income taxes arising out of the temporary differences were not significant and, accordingly, were not recorded as of December 31, 2016 and 2015.

(iv) Status of zakat and income tax assessments

The Company has submitted its zakat and income tax returns up to the year ended December 31, 2015 and obtained the required certificate from the GAZT.

23. Segmental reporting

For management purposes, the Company is organized into business segments classified as: Medical, Motor, property, engineering and others. Others include marine and other general insurance. These segments are the basis on which the Company reports its primary segment information.

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

- Segment assets do not include cash and cash equivalents, premiums and insurance balances receivable - net, due from shareholders' operations, prepaid expenses and other assets, property and equipment and;

(All amounts expressed in Saudi Riyals unless otherwise stated)

23. Segmental reporting (continued)

- Segment liabilities and surplus do not include accrued and other liabilities, reinsurance balances payable, due to shareholders' operations, end-of-service indemnities and insurance operations' surplus; and

- Operating segments do not include shareholders' operations.

- Segment results do not include operating and administrative salaries and general and administrative expenses. These have been presented under unallocated expenses.

Insurance operations for the year ended December 31, 2016:

2016	**Medical SR**	**Motor SR**	**Property SR**	**Engineering SR**	**Others SR**	**Total SR**
Gross premiums written	**148,903,280**	**572,264,561**	**161,358,515**	**48,399,044**	**85,682,855**	**1,016,608,255**
Net premiums written	**146,342,300**	**565,225,740**	**4,130,157**	**4,995,891**	**34,104,593**	**754,798,681**
Net premiums earned	**123,528,072**	**459,538,454**	**3,989,182**	**5,254,784**	**34,779,214**	**627,089,706**
Reinsurance commission	**-**	**234,363**	**7,612,520**	**5,761,006**	**6,739,512**	**20,347,401**
Other underwriting income	**-**	**4,934,889**	**7,945**	**4,920**	**47,248**	**4,995,002**
Net incurred claims	**(65,248,156)**	**(316,533,960)**	**(7,660,411)**	**(3,565,589)**	**(12,947,819)**	**(405,955,935)**
Changes in additional premium reserves	**-**	**34,418,701**	**-**	**1,685,936**	**-**	**36,104,637**
Changes in other technical reserves	**(1,031,472)**	**(6,521,306)**	**2,410,083**	**226,811**	**-**	**(4,915,884)**
Other underwriting expenses	**(17,947,489)**	**(57,461,233)**	**(4,093,632)**	**(3,880,993)**	**(7,770,520)**	**(91,153,867)**
Unallocated expenses						**(68,842,725)**
Surplus from insurance operations						**117,668,335**
Commission income on bank deposits						**6,324,652**
Net surplus from insurance operations						**123,992,987**

(All amounts expressed in Saudi Riyals unless otherwise stated)

23. Segmental reporting (continued)

Insurance operations' financial position as of December 31, 2016:

2016	Medical SR	Motor SR	Property SR	Engineering SR	Others SR	Total SR
Insurance operations' assets						
Reinsurers' share of unearned premiums	**-**	**-**	**99,774,091**	**22,152,262**	**14,641,508**	**136,567,861**
Reinsurers' share of outstanding claims	**8,584**	**1,022,508**	**86,308,035**	**61,453,912**	**1,975,092**	**150,768,131**
Deferred policy acquisition costs	**4,969,469**	**23,319,228**	**1,277,179**	**417,314**	**2,556,515**	**32,539,705**
Unallocated assets						**756,459,614**
Total assets						**1,076,335,311**
Insurance operations' liabilities						
Unearned premiums	**60,879,445**	**281,569,637**	**101,676,418**	**25,128,737**	**26,066,227**	**495,320,464**
Outstanding claims	**47,302,811**	**205,619,290**	**95,093,924**	**64,617,611**	**17,645,674**	**430,279,310**
Additional premium reserves	**-**	**-**	**-**	**753,096**	**-**	**753,096**
Other technical reserves	**2,118,572**	**7,627,810**	**229,787**	**494,217**	**-**	**10,470,386**
Unearned reinsurance commission	**-**	**-**	**2,925,120**	**2,639,231**	**1,645,021**	**7,209,372**
Unallocated liabilities and surplus						**132,302,683**
Total insurance operations liabilities and surplus						**1,076,335,311**

Insurance operations for the year ended December 31, 2015:

2015	Medical SR	Motor SR	Property SR	Engineering SR	Others SR	Total SR
Gross premiums written	68,813,083	421,246,613	122,505,567	76,806,804	63,621,135	752,993,202
Net premiums written	65,420,190	413,242,656	5,596,429	4,928,995	37,194,050	526,382,320
Net premiums earned	50,516,741	340,967,715	5,586,599	4,069,094	34,559,841	435,699,990
Reinsurance commission	-	261,944	9,843,596	6,581,008	1,428,335	18,114,883
Other underwriting income	-	2,527,033	10,390	6,770	61,903	2,606,096
Net claims incurred	(25,536,204)	(331,915,206)	(4,676,988)	(2,847,879)	(17,993,602)	(382,969,879)
Additional Premium Reserves	-	(9,495,087)	-	-	-	(9,495,087)
Other technical Reserves	(1,087,100)	(1,106,504)	(2,239,870)	(721,028)	-	(5,154,502)
Other underwriting expenses	(7,342,183)	(43,391,087)	(4,556,393)	(3,221,032)	(5,349,842)	(63,860,537)
Unallocated expenses						(54,220,749)
Deficit from insurance operations						(59,279,785)
Commission income on bank deposits						12,188
Net deficit from insurance operations						(59,267,597)

(All amounts expressed in Saudi Riyals unless otherwise stated)

23. Segmental reporting (continued)

Insurance operations' financial position as of December 31, 2015:

2015	**Medical SR**	**Motor SR**	**Property SR**	**Engineering SR**	**Others SR**	**Total SR**
Insurance operations' assets						
Reinsurers' share of unearned premiums	-	-	53,037,306	52,141,226	13,260,551	118,439,083
Reinsurers' share of outstanding claims	-	462,062	134,304,790	39,261,670	2,925,295	176,953,817
Deferred policy acquisition costs	2,837,629	13,775,437	1,724,584	2,445,082	2,030,187	22,812,919
Unallocated assets						525,734,715
Total insurance operations' assets						843,940,534
Insurance operations' liabilities and surplus						
Unearned premiums	38,065,218	175,882,354	54,798,658	55,376,593	25,359,888	349,482,711
Outstanding claims	13,480,728	141,660,409	141,899,476	43,630,026	18,340,465	359,011,104
Additional premium reserves	-	34,418,701	-	2,439,032	-	36,857,733
Other technical reserves	1,087,100	1,106,504	2,639,870	721,028	-	5,554,502
Unearned reinsurance commission	-	-	3,622,831	5,704,513	952,009	10,279,353
Unallocated liabilities and surplus						82,755,131
Total insurance operations' liabilities and surplus						843,940,534

Geographical segments

All of the significant assets and liabilities of the Company are located in the Kingdom of Saudi Arabia except for some of the premium receivables and reinsurance assets/ liabilities which are held outside the Kingdom of Saudi Arabia.

24. Risk management

Risk governance

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

Risk management structure

Board of Directors

The apex of risk governance is the centralised oversight of Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

Audit Committee and Internal Audit Department

Risk management processes throughout the Company are audited annually by the Internal Audit Department which examines both the adequacy of the procedure and the Company's compliance with such procedures. The Internal Audit Department discusses the results of all assessments with senior management, and reports its findings and recommendations directly to the Audit Committee.

24. Risk management (continued)

Risk Management Committee

The Audit Committee of the Company has constituted a risk management committee which oversees the risk management function of the Company and report to Audit Committee on periodic basis. This Committee operates under framework established by the Board of Directors.

Senior management

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

The primary objective of the Company's risk and financial management framework is to protect the Company from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities.

The risks faced by the Company and the manner in which these risks are mitigated by management are summarized below:

24.1 Insurance risk management

The principal risk the Company faces under insurance contracts is that the actual claim payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, structured claims management, quarterly review of reserves as well as the use of reinsurance arrangements.

Medical

Medical insurance is designed to compensate policy holders for expenses incurred in the treatment of a disease, illness or injury.

For medical insurance, the main risks are illness and related healthcare costs. Medical insurance is generally offered to corporate customers with large population to be covered under the policy.

Motor

Motor insurance is designed to compensate policy holders for damage suffered to their vehicles or liability to third parties arising through accidents. Policy holders could also receive compensation for the fire or theft of their vehicles.

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. Substantially all of the motor contracts relate to corporate customers. The Company has reinsurance cover to limit losses for any individual claim up to Saudi Riyal 1 million.

The level of court awards for deaths and to injured parties and the replacement costs of, and repairs to, motor vehicles are the key factors that influence the level of claims.

24. Risk management (continued)

Property

Property insurance is designed to compensate policy holders for damage suffered to properties or for the value of property lost. Policy holders could also receive compensation for the loss of earnings caused by the inability to use the insured properties.

For property insurance contracts, the main risks are fire and business interruption. The Company has only underwritten policies for properties containing fire detection equipment.

These contracts are underwritten to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has reinsurance cover for such exposure to limit losses for any individual claim up to Saudi Riyal 2 million.

Engineering

Engineering covers two principal types as summarized below:

“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, buildings, roads, bridges, sewage works and reservoirs; and

“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 electronic equipment insurance.

Significant risks underwritten by the Company under this class are physically inspected to make sure adequate fire protection, security and project management is in place.

Casualty

Casualty insurance primarily consists of risks taken for money, fidelity, workmen compensation, general public liability, engineering, etc. and is designed to compensate policy holders for damage suffered to them or others, arising through accidents, thefts, etc. Substantially all of the casualty contracts relate to corporate customers.

The Company has reinsurance cover to limit losses for any individual claim up to Saudi Riyal 1 million.

Marine cargo

Marine insurance solutions are mainly designed to compensate policyholders from accidents at sea, on land and in the air resulting in the total or partial loss to goods and/or merchandise (cargo insurance).

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered. The Company has reinsurance cover to limit losses for any individual claim up to Saudi Riyal 1 million.

Insurance claims reserving

Actuarial claims reserving is conducted by in house actuary in the various lines of insurance business according to the Insurance Reserving policy. The Executive Team monitors and maintains the Insurance Reserving policy, and conducts quarterly reviews of the Company's insurance claims provisions, and their adequacy. The reviews include peer reviews of own conclusions as well as independent analysis to confirm the reasonableness of the in house actuarial reviews. The Company also has periodic external reviews by local consultant actuaries.

(All amounts expressed in Saudi Riyals unless otherwise stated)

24. Risk management (continued)

Reinsurance risk

In order to minimize 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 risks allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts.

Significant reinsurance purchases are reviewed annually by Executive Team to verify that the levels of protection being bought reflect any developments in exposure and the risk appetite of the Company. Reinsurance purchases must be in line with the strategy set out in our Company's Reinsurance policy manual approved by the Board of directors.

To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers. The reinsurance is placed with providers who meet the Company's counterparty security requirements and deals with reinsurers approved by the board of directors.

The largest five reinsurers account for 88% of the maximum credit exposure at December 31, 2016 (2015: 81%).

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like political violence, environmental and economical, atmospheric disturbances, natural disasters, concentration of risks, civil riots etc. The Company manages these risk through the measures described above. The Company has limited its exposure to catastrophic and riot events by use of reinsurance arrangements.

Concentration of insurance risk

The Company does not have insurance contract covering risks for single incidents that expose the Company to multiple insurance risks. The Company has adequately reinsured for insurance risks that may involve significant litigation. The Company does not have any material claims where the amount and timing of payment is not resolved within one year of the reporting date.

The Company monitors concentration of insurance risks primarily by class of business. The table below sets out the concentration of the outstanding claims and unearned premiums (in percentage terms) by class of business at balance sheet date:

	2016			
	Gross outstanding claims	**Net outstanding claims**	**Gross unearned premiums**	**Net unearned premiums**
Medical	**11%**	**17%**	**12%**	**17%**
Motor	**48%**	**73%**	**57%**	**78%**
Property	**22%**	**3%**	**21%**	**1%**
Engineering	**15%**	**1%**	**5%**	**1%**
Other	**4%**	**6%**	**5%**	**3%**
	100%	**100%**	**100%**	**100%**

(All amounts expressed in Saudi Riyals unless otherwise stated)

24. Risk management (continued)

	2015			
	Gross outstanding claims	**Net outstanding claims**	**Gross unearned premiums**	**Net unearned premiums**
Medical	3%	7%	11%	16%
Motor	39%	77%	50%	76%
Property	40%	4%	16%	1%
Engineering	12%	2%	16%	2%
Other	6%	10%	7%	5%
	100%	100%	100%	100%

The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the statement of financial position relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position and for the expected ultimate cost of claims incurred but not reported (IBNR) at the statement of financial position. The details of estimation of outstanding claims (including IBNR) are given under notes 3 and 7.

Process used to decide on assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of balance sheet date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

(All amounts expressed in Saudi Riyals unless otherwise stated)

24. Risk management (continued)

Sensitivity analysis

The Company believes that the claim liabilities under insurance contracts outstanding at the year-end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The estimated impact on the shareholders' income before zakat and income tax and shareholders' equity of the changes in the claim liabilities net of reinsurance is analysed below. The sensitivity to changes in claim liabilities net of reinsurance is determined separately for each class of business while keeping all other assumptions constant.

	Shareholders' net income		Shareholders' equity	
	2016	**2015**	**2016**	**2015**
Impact of change in net claim liabilities by +10				
Medical	**(4,256,480)**	(1,213,266)	**(4,110,962)**	(1,171,772)
Motor	**(18,413,710)**	(12,707,851)	**(17,784,191)**	(12,273,243)
Property	**(790,730)**	(683,522)	**(763,697)**	(660,145)
Engineering	**(284,733)**	(393,152)	**(274,999)**	(379,706)
Other	**(1,410,352)**	(1,387,365)	**(1,362,136)**	(1,339,917)
	(25,156,005)	(16,385,156)	**(24,295,985)**	(15,824,783)

A decrease of 10% would have equal but opposite effect on shareholders' net income and equity.

(All amounts expressed in Saudi Riyals unless otherwise stated)

24. Risk management (continued)

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 maintains adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year.

2016

Accident year	**Reserves for prior accident years**	**2012**	**2013**	**2014**	**2015**	**2016**
Estimate of ultimate claims cost:						
At the end of accident year	-	**138,512,518**	**212,853,467**	**395,301,174**	**465,607,742**	**515,797,640**
One year later	-	**123,626,394**	**204,940,167**	**379,630,351**	**413,272,510**	**-**
Two year later	-	**117,903,649**	**182,367,435**	**361,385,928**	**-**	**-**
Three year later		**118,786,920**	**167,259,828**	**-**	**-**	**-**
Four years later		**118,267,489**	**-**	**-**	**-**	**-**
Reserve in respect to prior years	**457,929,586**	**-**	**-**	**-**	**-**	**-**
Current estimate of cumulative claims	**457,929,586**	**118,267,489**	**167,259,828**	**361,385,928**	**413,272,510**	**515,797,640**
Cumulative payments to date	**(449,497,194)**	**(116,171,818)**	**(163,368,720)**	**(294,914,565)**	**(340,489,883)**	**(239,191,494)**
Liability recognized in statement of financial position	**8,432,393**	**2,095,671**	**3,891,109**	**66,471,364**	**72,782,627**	**276,606,146**
Claims reserve as at December 31, 2016	**430,279,310**					

2015

Accident year	**Reserves for prior accident years**	**2011**	**2012**	**2013**	**2014**	**2015**
Estimate of ultimate claims cost:						
At the end of accident year	-	252,342,964	235,267,904	339,318,612	615,002,331	854,871,367
One year later	-	245,339,242	217,882,166	327,605,644	601,860,570	-
Two year later	-	243,853,311	210,001,301	303,317,639	-	-
Three year later		244,548,215	211,104,036	-	-	-
Four years later		249,347,638	-			
Reserve in respect to prior years	249,656,450	-	-	-	-	-
Current estimate of cumulative claims	249,656,450	249,347,638	211,104,036	303,317,639	601,860,570	854,871,367
Cumulative payments to date	(248,582,290)	(238,936,073)	(207,403,395)	(268,979,342)	(475,305,637)	(495,860,263)
Liability recognized in statement of financial position	1,074,160	10,411,565	3,700,641	34,338,297	126,554,933	359,011,104

Regulatory framework risk

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

(All amounts expressed in Saudi Riyals unless otherwise stated)

24. Risk management (continued)

24.2 Financial risk

The Company's principal financial assets and liabilities are cash and cash equivalents, short term and statutory deposit, premium and insurance balances receivable, reinsurer's balances payable, outstanding claims, accrued and other liabilities, employees' end of service benefits. The Company does not enter into derivative transaction.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, market price risk, commission rate risk and foreign currency risk. The board reviews and agrees policies for managing each of these risks and they are summarized below.

Credit risk

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

The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables. Premiums receivable comprise a large number of brokers/customers mainly within Saudi Arabia of which the five largest brokers/customers account for 19% of the receivables as at December 31, 2016 (2015: 43%).

The Company only enters into insurance and reinsurance contracts with recognized, credit worthy third parties. Receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts

The Company's bank balances are maintained with a range of international and local banks in accordance with limits set by the board of directors. The Company maintains its bank balances, short term and long term investments with banks and other which have investment grade credit ratings.

Maximum exposure to credit risk

The Company's maximum exposure to credit risk on its financial assets at December 31, 2016 is Saudi Riyals 1,355 million (December 31, 2015: Saudi Riyals 1,053 million).

The table below shows the components of the statement of financial position of the Company at December 31, 2016 and 2015 exposed to credit risk:

	2016	**2015**
Insurance operations' assets		
Cash and cash equivalents	**594,417,666**	373,227,369
Premiums and insurance balances receivable	**130,745,217**	132,361,744
Reinsurers' share of outstanding claims	**150,768,131**	176,953,817
Other assets	**38,237,870**	30,309,781
	914,168,884	712,852,711
Shareholders' assets		
Cash and cash equivalents	**289,937,528**	213,979,283
Accrued commission income	**2,141,976**	1,885,163
Available-for-sale investments	**109,622,059**	84,725,686
Statutory deposit	**40,000,000**	40,000,000
	441,701,563	340,590,132
Total	**1,355,870,447**	1,053,442,843

(All amounts expressed in Saudi Riyals unless otherwise stated)

24. Risk management (continued)

Credit risk (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties. Investment grade is considered to be the highest possible rating. Assets falling outside the range of investment grade are classified as non-investment grade (satisfactory) or past due but not impaired.

Insurance operations' financial assets as at December 31, 2016

		Non-investment grade		
	Investment grade	Satisfactory	Past due but not impaired	Total
Cash and cash equivalents	**594,350,666**	**67,000**	**-**	**594,417,666**
Premiums and insurance balances receivable	**-**	**58,180,823**	**72,564,394**	**130,745,217**
Reinsurers' share of outstanding claims	**-**	**150,768,131**	**-**	**150,768,131**
Other assets	**-**	**38,237,870**	**-**	**38,237,870**
	594,350,666	**247,253,824**	**72,564,394**	**914,168,884**

Insurance operations' financial assets as at December 31, 2015

		Non-investment grade		
	Investment grade	Satisfactory	Past due but not impaired	Total
Cash and cash equivalents	373,160,369	67,000	-	373,227,369
Premiums and insurance balances receivable	-	68,149,763	64,211,981	132,361,744
Reinsurers' share of outstanding claims	-	176,953,817	-	176,953,817
Other assets	-	30,309,781	-	30,309,781
	373,160,369	275,480,361	64,211,981	712,852,711

Shareholders' financial assets as at December 31, 2016

		Non-investment grade		
	Investment grade	Satisfactory	Past due but not impaired	Total
Cash and cash equivalents	**289,937,528**	**-**	**-**	**289,937,528**
Accrued commission income	**2,141,976**	**-**	**-**	**2,141,976**
Available-for-sale investments	**106,898,981**	**2,723,078**	**-**	**109,622,059**
Statutory deposit	**40,000,000**	**-**	**-**	**40,000,000**
	438,978,485	**2,723,078**	**-**	**441,701,563**

(All amounts expressed in Saudi Riyals unless otherwise stated)

24. Risk management (continued)

Credit risk (continued)

Shareholders' financial assets as at December 31, 2015

		Non-investment grade		
	Investment grade	Satisfactory	Past due but not impaired	Total
Cash and cash equivalents	213,979,283	-	-	213,979,283
Accrued commission income	1,885,163	-	-	1,885,163
Available-for-sale investments	82,802,608	1,923,078	-	84,725,686
Statutory deposit	40,000,000	-	-	40,000,000
	338,667,054	1,923,078	-	340,590,132

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

Liquidity risk

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

Liquidity requirements are monitored on a regular basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

Substantially all the financial liabilities of the Company are due within one year of the date of the statement of financial position.

(All amounts expressed in Saudi Riyals unless otherwise stated)

24. Risk management (continued)

Liquidity risk (continued)

The table below summarizes the maturities of the Company's undiscounted contractual obligations at December 31, 2016 and 2015. As the Company does not have any commission bearing liabilities, contractual cash flows of financial liabilities approximate their carrying value:

As at December 31, 2016

	Less than 12 months	More than 12 months	Total
Insurance operations' financial liabilities			
Outstanding claims	**430,279,310**	**-**	**430,279,310**
Accrued expenses and other liabilities	**73,658,493**	**-**	**73,658,493**
Reinsurance balances payables	**15,668,443**	**-**	**15,668,443**
End-of-service indemnities	**-**	**7,267,787**	**7,267,787**
Total insurance operations' financial liabilities	**519,606,246**	**7,267,787**	**526,874,033**
Shareholders' financial liabilities			
Accrued commission and other liabilities	**2,364,147**	**-**	**2,364,147**
Total shareholders' financial liabilities	**2,364,147**	**-**	**2,364,147**

As at December 31, 2015

	Less than 12 months	More than 12 months	Total
Insurance operations' financial liabilities			
Outstanding claims	359,011,104	-	359,011,104
Accrued expenses and other liabilities	63,459,372	-	63,459,372
Reinsurance balances payables	10,015,562	-	10,015,562
End-of-service indemnities	-	5,823,730	5,823,730
Total insurance operations' financial liabilities	432,486,038	5,823,730	438,309,768
Shareholders' financial liabilities			
Accrued commission and other liabilities	1,350,228	-	1,350,228
Total shareholders' financial liabilities	1,350,228	-	1,350,228

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

(All amounts expressed in Saudi Riyals unless otherwise stated)

24. Risk management (continued)

Maturity profiles

The table below summarises the maturity profile of the financial assets and liabilities of the Company based on remaining expected undiscounted contractual obligations:

As at December 31, 2016

	Up to one year	More than one year	Total
Insurance operations' financial assets			
Cash and cash equivalents	594,417,666	-	594,417,666
Premiums and insurance balances receivable	130,745,217	-	130,745,217
Reinsurers' share of outstanding claims	150,768,131	-	150,768,131
Other assets	38,237,870	-	38,237,870
Total insurance operations' financial assets	914,168,884	-	914,168,884
Insurance operations' financial liabilities			
Outstanding claims	430,279,310	-	430,279,310
Accrued expenses and other liabilities	73,658,493	-	73,658,493
Reinsurance balances payables	15,668,443	-	15,668,443
End-of-service indemnities	-	7,267,787	7,267,787
Total insurance operations' financial liabilities	519,606,246	7,267,787	526,874,033

(All amounts expressed in Saudi Riyals unless otherwise stated)

24. Risk management (Continued)

Maturity profiles (Continued)

As at December 31, 2015

	Up to one year	More than one year	Total
Insurance operations' financial assets			
Cash and cash equivalents	373,227,369	-	373,227,369
Premiums and insurance balances receivable	132,361,744	-	132,361,744
Reinsurers' share of outstanding claims	176,953,817	-	176,953,817
Other assets	30,309,781	-	30,309,781
Total insurance operations' financial assets	712,852,711	-	712,852,711
Insurance operations' financial liabilities			
Outstanding claims	359,011,104	-	359,011,104
Accrued expenses and other liabilities	63,459,372	-	63,459,372
Reinsurance balances payables	10,015,562	-	10,015,562
End-of-service indemnities	-	5,823,730	5,823,730
Total insurance operations' financial liabilities	432,486,038	5,823,730	438,309,768

As at December 31, 2016

	Up to one year	More than one year	Total
Shareholders' financial assets			
Cash and cash equivalents	**289,937,528**	-	**289,937,528**
Accrued commission income	**2,141,976**	-	**2,141,976**
Available-for-sale investments	**109,622,059**	-	**109,622,059**
Statutory deposit	**40,000,000**	-	**40,000,000**
Total shareholders' financial assets	**441,701,563**	-	**441,701,563**
Shareholders' financial liabilities			
Accrued commission and other liabilities	**2,364,147**	-	**2,364,147**
Total shareholders' financial liabilities	**2,364,147**	-	**2,364,147**

(All amounts expressed in Saudi Riyals unless otherwise stated)

24. Risk management (continued)

Maturity profiles (continued)

As at December 31, 2015

	Up to one year	More than one year	Total
Shareholders' financial assets			
Cash and cash equivalents	213,979,283		213,979,283
Accrued commission income	1,885,163	-	1,885,163
Available-for-sale investments	84,725,686	-	84,725,686
Statutory deposit	40,000,000	-	40,000,000
Total shareholders' financial assets	340,590,132	-	340,590,132
Shareholders' financial liabilities			
Accrued commission and other liabilities	1,350,228	-	1,350,228
Total shareholders' financial liabilities	1,350,228	-	1,350,228

Currency risk

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

The Company's exposure to foreign currency risk is limited to United States Dollars which is pegged against Saudi Riyals. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

Market price risk

Market price 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 by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Company has an unquoted equity investment carried at cost where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired and then the income statement will be impacted.

The Company's equity investments as at December 31, 2016 amounting to SR 106.9 million (2015: Saudi Riyals 82.8 million) are susceptible to market price risk arising from uncertainty about the future value of investment securities. The Company limits market risk by diversifying its equity investment portfolio and by actively monitoring the developments in equity and money markets.

The impact of a hypothetical change of a 10% increase and 10% decrease in the market prices of investments on Company's profits and equity would be as follows:

(All amounts expressed in Saudi Riyals unless otherwise stated)

24. Risk management (continued)

	Fair value	Price change	Estimated fair value	Effect on income from Shareholders operations	Effect on shareholders' equity
December 31, 2016	**106,898,981**	**10% increase**	**117,588,879**	**10,689,898**	**10,324,437**
		10% decrease	**(96,209,083)**	**(10,689,898)**	**(10,324,437)**
December 31, 2015	82,802,608	10% increase	91,082,869	8,280,261	7,921,105
		10% decrease	(74,522,347)	(8,280,261)	(7,921,105)

Capital risk management

The Company's objectives when managing capital are:

- To comply with the insurance capital requirements as set out in the Law. The Company's current paid-up share capital is in accordance with Article 3 of the Law;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

As per Article 66 of the Regulations, the Company shall maintain solvency margin equivalent to the highest of the following three methods:

- Minimum capital requirement of Saudi Riyals 200 million
- Premium solvency margin
- Claims solvency margin

The Company's solvency margin at December 31, 2016 is 199% (2015: 138%) of the required margin of solvency.

Seasonality of operations

There are no seasonal changes that affect insurance operations.

(All amounts expressed in Saudi Riyals unless otherwise stated)

25. 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.

Categories of financial instruments

a) Insurance operations

	2016	2015
Financial assets		
Cash and cash equivalents	**594,417,666**	373,227,369
Premiums and insurance balances receivable	**130,745,217**	132,361,744
Reinsurers' share of outstanding claims	**150,768,131**	176,953,817
Other assets	**38,237,870**	30,309,781
	914,168,884	712,852,711
Financial liabilities		
Outstanding claims	**430,279,310**	359,011,104
Accrued expenses and other liabilities	**73,658,493**	63,459,372
Reinsurance balances payable	**15,668,443**	10,015,562
End-of-service indemnities	**7,267,787**	5,823,730
	526,874,033	438,309,768

b) Shareholders' operations

	2016	2015
Financial assets		
Cash and cash equivalents	**289,937,528**	213,979,283
Accrued commission income	**2,141,976**	1,885,163
Available-for-sale investments	**109,622,059**	84,725,686
Statutory deposit	**40,000,000**	40,000,000
	441,701,563	340,590,132
Financial liabilities		
Accrued commission and other liabilities	**2,364,147**	1,350,228
	2,364,147	1,350,228

Financial instruments comprise of financial assets and financial liabilities as have been defined above.

The fair values of financial instruments are carried at cost, are not materially different from their carrying values. The Company uses the following hierarchy for determining and disclosing the fair values of available for sale investments as well as advances by a valuation technique

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities:

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

(All amounts expressed in Saudi Riyals unless otherwise stated)

25. Fair values of financial instruments (continued)

The table below presents the financial instruments at their fair values as at December 31, 2016 and 2015 based on the fair value hierarchy:

As at December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Financial instruments				
Available-for-sale investments				
Equity securities	**106,898,981**	**-**	**2,723,078**	**109,622,059**
Total	**106,898,981**	**-**	**2,723,078**	**109,622,059**

As at December 31, 2015	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Financial instruments				
Available-for-sale investments				
Equity securities	82,802,608	-	1,923,078	84,725,686
Total	82,802,608	-	1,923,078	84,725,686

During the year, there were no transfers into or out of level 3.

26. Earnings/ (loss) per share

Basic and diluted earnings (loss) per share from shareholders' income is calculated by dividing net income (loss) for the year by weighted average number of ordinary shares outstanding during the year.

Basic and diluted earnings per share from shareholders' comprehensive income is calculated by dividing net (loss) income for the year after zakat and income tax by weighted average number of ordinary shares outstanding during the year.

The weighted average number of shares has been computed as required by IAS 33 “Earnings per share” as follows:

	31 December 2016	31 December 2015
Issued ordinary shares as at 1 January	**40,000,000**	20,000,000
Effect of right share issue	**-**	14,093,151
	40,000,000	**34,093,151**

27. Contingencies

The Company, in common with significant majority of insurers, is subject to litigation in the normal course of its business. The Company’s management, based on independent legal advice, believes that the outcome of court cases will not have a material impact on the Company’s income or financial condition.

28. Comparative figures

At December 31, 2016, the Company has reclassified excess of loss expenses from underwriting expenses and presented under reinsurance premium ceded during the year. The 2015 comparative amounts in the statement of insurance operations have also been reclassified accordingly for consistency.

29. Approval of the financial statements

The financial statements have been approved by the Board of Directors on February 20, 2017 corresponding to 23 Jumada Al-Awwal, 1438H.