


ARABIAN SHIELD COOPERATIVE INSURANCE COMPANY
A SAUDI JOINT STOCK COMPANY

INDEPENDENT AUDITORS' REPORT
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018



ARABIAN SHIELD COOPERATIVE INSURANCE COMPANY
A SAUDI JOINT STOCK COMPANY

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INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

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ARABIAN SHIELD COOPERATIVE INSURANCE COMPANY
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FINANCIAL STATEMENTS
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

COMPANY DETAILS

Chairman

HH Prince Sultan Bin Mohamed Bin Saud Al Kabeer

Vice Chairman

Mr. Sameer Al Wazzan

Board of Directors

HH Prince Sultan Bin Mohamed Bin Saud Al Kabeer

Mr. Sameer Al Wazzan

Mr. Abdallah Al Obeikan

Mr. Ahmed Al Abdulkarim

Mr. Abdulaziz Al Essa (until 03 September 2018)

Mr. Turki Al Mutawa

Chief Executive Officer

Mr. Basem Odeh

Board Secretary

Mr. Basem Odeh

Head Office

5th Floor, Cercon Building No. 15

Olaya Street

PO Box 61352

Riyadh 11565

Saudi Arabia

Telephone

+ 966 11 250 5400

Fax

+ 966 11 463 1294

Website

www.arabianshield.com

Commercial Registration

CR No. 1010234323

Principal Bankers

The Saudi British Bank (SABB)

Riyadh, Saudi Arabia

Auditors

PKF Al Bassam & Co.

Chartered Accountants

Riyadh, Saudi Arabia

Associated Accountants

Independent Member of Geneva Group International

Riyadh, Saudi Arabia

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF ARABIAN SHIELD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
RIYADH
KINGDOM OF SAUDI ARABIA**

Opinion

We have audited the financial statements of Arabian Shield Cooperative Insurance Company, (A Saudi Joint Stock Company) (the "Company"), which comprise of Statement of financial position as at 31 December 2018 and the statements of income, statement of comprehensive income, statement of change in shareholders' equity and statement of cash flows for the year then ended, and the accompanying notes which form an integral part of these financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as modified by Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics, as endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For matter below, a description of how our audit addressed the matter provided in that context:

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

Key Audit Matters (Continued)

Key audit matter

Valuation of ultimate claim liabilities arising from insurance contracts

As at 31 December 2018, outstanding claims including claims incurred but not reported (IBNR) amounted to Saudi Riyals 367.85 million as reported in Note 23 to the financial statements.

The estimation of ultimate insurance contract liabilities involves

a significant degree of judgment. The liabilities are based on the best-estimate of ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs.

In particular, estimates of IBNR and the use of actuarial and statistical projections involve significant judgment. A range of actuarial methods are used by the actuary to determine these technical reserves. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

We considered this as a key audit matter since use of management assumptions and judgements could result in material over / understatement of the Company's profitability.

The Company's disclosures about the significant accounting policies of the above mentioned key audit matter are included in note 4 to the financial statements.

How our audit addressed the key audit matter

We understood and evaluated key controls around the claims handling and technical reserve setting processes of the Company including completeness and accuracy of claims data used in the actuarial reserving process.

We evaluated the competence, capabilities and objectivity of the management's expert by examining their professional qualifications and experiences.

In obtaining sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we tested on sample basis, the completeness and accuracy of underlying claims data utilized by the Company's actuary in estimating the IBNR by comparing it to accounting records.

In order to assess management's methodologies and assumptions, we were assisted by our actuary specialist to understand and evaluate the Company's actuarial practices and the technical reserves established. In order to obtain comfort over the Company's actuarial report, our internal actuary performed the following:

- Evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods.
- Assessed key actuarial assumptions including claims ratios, and expected frequency and severity of claims. We assessed these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge.
- Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions.



Audit • Consultancy • Zakat & Tax

**Al-Bassam & Co.
Allied Accountants**

(Member firm of PKF International)



ASSOCIATED ACCOUNTANTS

Haqim Al-Fakhri and Co. - Certified Accountants and Consultants

**INDEPENDENT AUDITORS' REPORT (Continued)
TO THE SHAREHOLDERS OF ARABIAN SHIELD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

Other information included in the Company's 2018 Annual Report

The Board of Directors of the Company (the Directors) are responsible for the other information in the Company's annual report. Other information consists of the information included in the Company's 2018 annual report, other than the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors and Those Charged with Governance for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as modified by SAMA for the accounting of zakat and income tax, the applicable requirements of the Regulations for Companies, in the Kingdom of Saudi Arabia and the Company's By-laws and for such internal control as the Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing "ISAs" as endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing ("ISAs") as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Auditors' responsibilities for the audit of the financial statements (Continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on legal and other regulatory requirements

Based on the information that has been made available to us while performing our audit procedures, nothing has come to our attention that causes us to believe that the Company is not in compliance with the requirements of Regulations for Companies and the Company's By-laws with regards to they affect the preparation and presentation of the financial statements.

For Al-Bassam & Co.
(Allied Accountants)

P. O. Box 69658
Riyadh 11557
Kingdom of Saudi Arabia



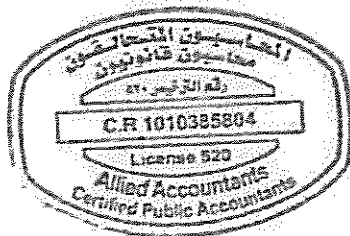
Ibrahim A. Al Bassam
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Kingdom of Saudi Arabia



Hamoud Ali Al-Rubian
Certified Public Accountant
(License No. 222)

20 March 2019
13 Rajab 1440



FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

ALL AMOUNTS IN SAR '000

STATEMENT OF FINANCIAL POSITION

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
ASSETS			
Cash and cash equivalents	5	430,566	549,956
Short term fixed income deposits	6	81,234	0
Premiums and reinsurers' receivable – net	8	78,587	38,052
Reinsurers' share of unearned gross premiums	17	33,389	40,626
Reinsurers' share of outstanding gross claims	23	71,391	58,958
Reinsurers' share of gross claims incurred but not reported	23	81,748	73,796
Deferred policy acquisition costs	9	7,307	8,044
Deferred withholding tax	9	1,584	1,938
Deferred regulators' levies	9	2,829	1,605
Deferred excess of loss expenses	9	0	0
Investments	11	198,901	140,728
Due from related parties – net	8	63,674	4,282
Prepaid expenses and other assets		37,333	9,166
Property and equipment – net	13	4,595	4,075
Intangible assets – net	14	7,557	2,501
Goodwill	15	46,794	46,794
Statutory deposit	7	30,000	20,000
Accrued income on statutory deposit	7	2,003	1,563
TOTAL ASSETS		1,179,492	1,002,084

The accompanying Notes 1 to 39 form an integral part of these Financial Statements.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

ALL AMOUNTS IN SAR '000

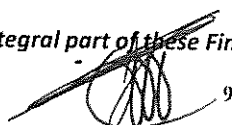

STATEMENT OF FINANCIAL POSITION (Continued)

	Notes	2018	2017
LIABILITIES			
Accrued and other liabilities		48,807	52,049
Reinsurers' balances payable	21	10,760	6,026
Unearned gross premiums	17	221,042	155,564
Unearned reinsurance commission	19	6,847	7,987
Outstanding gross claims	23	173,569	104,731
Gross claims incurred but not reported	23	194,280	179,883
Premium deficiency reserve	23	4,900	0
Other technical reserves	23	9,925	8,125
Due to related parties	30	17,098	11,168
Accounts payable	20	8,701	11,949
Withholding tax provision	9	12,227	12,503
Regulators' levies provision	9	1,470	1,048
End-of-service indemnities		9,001	8,441
Policyholders' surplus distribution payable		2,697	11,995
Zakat	25	26,511	21,060
Income tax	25	1,969	3,205
Accrued commission income payable to SAMA	7	2,003	1,563
TOTAL LIABILITIES		751,807	597,297
SHAREHOLDERS' EQUITY			
Share capital	26	300,000	200,000
Statutory reserve	27	33,082	48,573
Retained earnings / (accumulated losses)		92,327	154,293
Fair value reserve gain / (loss) on investments	11	2,276	1,921
TOTAL EQUITY		427,685	404,787
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,179,492	1,002,084

COMMITMENTS AND CONTINGENCIES

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The accompanying Notes 1 to 39 form an integral part of these Financial Statements.

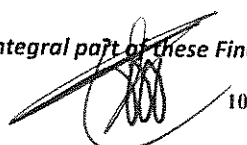
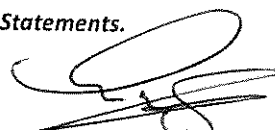

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

ALL AMOUNTS IN SAR '000

STATEMENT OF INCOME

	Notes	2018	2017
REVENUES			
Gross premiums written	16	625,101	593,078
Reinsurance premiums ceded – local		(17,491)	(11,630)
Reinsurance premiums ceded – foreign		(152,814)	(185,077)
Excess of loss expenses	16	(2,230)	(2,103)
Net premiums written	16	452,566	394,268
Change in unearned gross premiums	17	(65,478)	123,307
Change in reinsurers' share of unearned gross premiums	17	(7,237)	(56,521)
Net premiums earned	16	379,851	461,054
Reinsurance commissions	18	36,838	50,687
Other underwriting income		6,326	4,996
TOTAL REVENUES		423,015	516,737
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	23	(304,597)	(369,249)
Expenses incurred related to claims		(0)	(0)
Reinsurers' share of claims paid	23	83,212	123,075
Net claims paid		(221,385)	(246,174)
Changes in outstanding gross claims	23	(68,838)	(10,853)
Changes in reinsurers' share of outstanding gross claims	23	12,433	(1,331)
Changes in gross IBNR	23	(14,397)	(16,966)
Changes in reinsurers' share of gross IBNR	23	7,952	16,815
Net claims incurred		(284,235)	(258,509)
Premium deficiency reserve	23	(4,900)	(0)
Other technical reserves	23	(1,800)	(0)
Policy acquisition costs	9	(22,501)	(37,637)
Withholding tax	9	(7,866)	(13,149)
Regulators' levies	9	(5,890)	(6,556)
Other underwriting expenses		(6,572)	(8,155)
TOTAL UNDERWRITING COSTS AND EXPENSES		(333,764)	(324,006)
NET UNDERWRITING INCOME / (LOSS)		89,251	192,731

The accompanying Notes 1 to 39 form an integral part of these Financial Statements.


FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

ALL AMOUNTS IN SAR '000

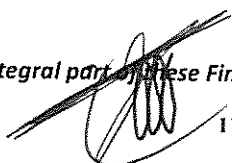
STATEMENT OF INCOME (Continued)

	Notes	2018	2017
OTHER OPERATING INCOME / (EXPENSES)			
(Allowance for) / Reversal of doubtful debts		(6,600)	(4,000)
General and administrative expenses		(61,466)	(73,458)
Depreciation and amortization		(3,426)	(6,280)
Commission income on deposits		11,352	9,346
Dividend investment income		6,399	1,564
Realized gain / (loss) on investments	11	1,479	267
TOTAL OTHER OPERATING INCOME / (EXPENSES)		(52,262)	(72,561)
TOTAL INCOME / (LOSS) FOR THE YEAR		36,989	120,170
Attributable to Insurance Operations	1	(2,697)	(11,995)
TOTAL INCOME / (LOSS) FOR THE YEAR – SHAREHOLDERS' OPERATIONS		34,292	108,175
Earnings per share (Expressed in SAR per share)			
Basic and diluted earnings per share	28	1.14	3.61

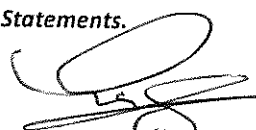
STATEMENT OF COMPREHENSIVE INCOME

	Notes	2018	2017
Total income / (loss) for the year		36,989	120,170
Other comprehensive income / (loss) – Insurance Operations		0	0
Other comprehensive income / (loss) – Shareholders' Operations			
<i>Items that are or may be reclassified to statements of income in subsequent years:</i>			
Available for sale investments:			
Net change in fair value	11	1,834	2,188
Net realised amounts transferred to statement of income	11	(1,479)	(267)
Net change in unrealised fair value		355	1,921
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		37,344	122,091
Attributable to Insurance Operations		(2,697)	(11,995)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR – SHAREHOLDERS' OPERATIONS		34,647	110,096

The accompanying Notes 1 to 39 form an integral part of these Financial Statements.



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FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

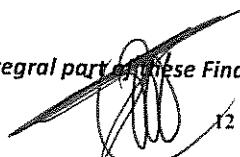
ALL AMOUNTS IN SAR '000

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

2018	Notes	Share Capital	Statutory Reserve	Retained Earnings / (Accumulated Losses)	Fair Value Reserve gain/(loss) on investments	Total Equity
Balance at start of year		200,000	48,573	154,293	1,921	404,787
Total income / (loss) for the year				34,292		34,292
Net change in fair value of investments	11				1,834	1,834
Net realised amounts transferred to statement of income	11				(1,479)	(1,479)
Net change in unrealised fair value of investments					355	355
Total comprehensive income / (loss) for the year				34,292	355	34,647
Bonus share	26	100,000	(20,000)	(80,000)		0
Dividend	36			0		0
Zakat charge	25			(10,960)		(10,960)
Income tax charge	25			(789)		(789)
Transfer to statutory reserve	27		4,509	(4,509)		0
Balance at end of year		300,000	33,082	92,327	2,276	427,685

2017	Notes	Share Capital	Statutory Reserve	Retained Earnings / (Accumulated Losses)	Fair Value Reserve gain/(loss) on investments	Total Equity
Balance at start of year		200,000	30,033	120,130	0	350,163
Total income / (loss) for the year				108,175		108,175
Net change in fair value of investments	11				2,188	2,188
Net realised amounts transferred to statement of income	11				(267)	(267)
Net change in unrealised fair value of investments					1,921	1,921
Total comprehensive income / (loss) for the year				108,175	1,921	110,096
Bonus share	26	0	(0)	(0)		0
Dividend	36			(40,000)		(40,000)
Zakat charge	25			(13,363)		(13,363)
Income tax charge	25			(2,109)		(2,109)
Transfer to statutory reserve	27		18,540	(18,540)		0
Balance at end of year		200,000	48,573	154,293	1,921	404,787

The accompanying Notes 1 to 39 form an integral part of these Financial Statements.





FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

ALL AMOUNTS IN SAR '000

STATEMENT OF CASH FLOWS

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit / (loss) for the year		34,292	108,175
Adjustments for non-cash items:			
Depreciation of property and equipment	13	2,015	1,853
Amortization of intangible assets	14	1,411	4,426
(Gain) / loss on disposal of property and equipment		(36)	(41)
Allowance for / (Reversal of) doubtful debts	8	6,600	4,000
Provision for withholding tax	9	7,512	10,359
Provision for regulators' levies	9	7,114	5,871
Provision for end-of-service indemnities		2,891	3,679
Changes in operating assets and liabilities:			
Premiums and reinsurers' receivable		(36,735)	(16,147)
Reinsurers' share of unearned gross premiums	17	7,237	56,521
Reinsurers' share of outstanding gross claims	23	(12,433)	1,331
Reinsurers' share of gross claims incurred but not reported	23	(7,952)	(16,815)
Deferred policy acquisition costs		737	10,579
Deferred withholding tax		354	2,790
Deferred regulators' levies		(1,224)	685
Deferred excess of loss expenses		0	0
Due from related parties		(69,792)	(2,575)
Prepaid expenses and other assets		(28,167)	(468)
Accounts payable		(6,346)	(1,450)
Policy acquisition cost payable		3,098	332
Policyholders' surplus		2,697	11,995
Accrued and other liabilities		(3,242)	17,370
Reinsurers' balances payable		4,734	(11,493)
Unearned gross premiums	17	65,478	(123,307)
Unearned reinsurance commission	19	(1,140)	(10,868)
Outstanding gross claims	23	68,838	10,853
Gross claims incurred but not reported	23	14,397	16,966
Premium deficiency reserve	23	4,900	0
Other technical reserves	23	1,800	0
Due to related parties		5,930	779
Payments:			
End-of-service indemnities paid		(2,331)	(1,836)
Withholding tax paid	9	(7,788)	(11,507)
Regulators' levies paid	9	(6,692)	(6,402)
Surplus paid to policyholders		(11,995)	(11,231)
Zakat paid	25	(5,509)	(6,612)
Income tax paid	25	(2,025)	(1,412)
Net cash generated from / (used in) operating activities		38,628	46,400

The accompanying Notes 1 to 39 form an integral part of these Financial Statements.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

ALL AMOUNTS IN SAR '000

STATEMENT OF CASH FLOWS (Continued)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions of investments	11	(190,005)	(47,795)
Proceeds from disposal of investments	11	133,666	10,020
Realised gain on disposal of investments	11	(1,479)	(267)
Additions of short term fixed income deposits	6	(81,234)	0
Additions of property and equipment	13	(2,551)	(2,820)
Proceeds from disposal of property and equipment		52	44
Additions of intangible assets	14	(6,467)	(2,488)
Proceeds from disposal of intangible assets		0	0
Increase in statutory deposit	7	(10,000)	0
Net cash generated from / (used in) investing activities		(158,018)	(43,306)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid	36	0	(40,000)
Net cash generated from / (used in) financing activities		0	(40,000)
Net change in cash and cash equivalents		(119,390)	(36,906)
Cash and cash equivalents at start of year		549,956	586,862
Cash and cash equivalents at end of year		430,566	549,956
NON-CASH INFORMATION			
Change in fair value of investments		355	1,921
Bonus shares issued		100,000	0

The accompanying Notes 1 to 39 form an integral part of these Financial Statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018****ALL AMOUNTS IN SAR '000****1. GENERAL**

The insurance industry in Saudi Arabia is regulated by the Law on Supervision of Cooperative Insurance Companies ("Cooperative Insurance Law") together with the Implementing Regulations ("Implementing Regulations") promulgated by Royal Decree No. M32 dated 22 Jumad Thani 1424 corresponding to 21 August 2003. Supervision is under the auspices of the Saudi Arabian Monetary Authority ("SAMA" or "Regulator").

Arabian Shield Cooperative Insurance Company ("Company") is a Saudi Joint Stock Company incorporated in Riyadh, Saudi Arabia through Ministerial Resolution issued on 19 May 2007 with Commercial Registration No. 1010234323 issued on 13 June 2007 following on from Royal Decree No. M60 dated 18 Ramadan 1427 corresponding to 11 October 2006. The Commercial Registration Certificate was amended with effect from 24 July 2018 to reflect the increase in share capital following the bonus share issue. The Company was listed on the Saudi Stock Exchange (Tadawul) on 26 June 2007. The registered address of the head office is as follows: 5th Floor, Cercon Building No. 15, Olaya Street, PO Box 61352, Riyadh 11565, Saudi Arabia.

The principal activities for which the Company was licensed were the conducting of insurance and reinsurance business in general and medical classes in Saudi Arabia in accordance with License No. TMN/6/20079 issued on 11 September 2007 by SAMA and the License was renewed for three year periods on 10 August 2010, 07 July 2013 and 03 June 2016. SAMA gave approval to the Company to conduct business in the protection and savings class on 26 April 2018. At the Company's request, SAMA approved an amendment to the License to exclude reinsurance business with effect from 30 September 2013.

As per the Articles of Association ("Articles"), the Company may undertake all activities required to transact cooperative insurance operations and related activities and to invest its funds. Its principal lines of business include motor, medical, marine, property, engineering, casualty and protection and savings.

In accordance with the Implementing Regulations, within six months from the date of publication of the Annual Financial Statements each year, the Board of Directors approve the distribution of the surplus from insurance operations as follows:

- The shareholders of the Company receive 90% of the surplus from insurance operations including any surplus from investment activities of the policyholders' invested funds and the policyholders retain the remaining 10%.
- Any deficit arising on insurance operations is transferred to shareholders' operations in full.

The Company and its Shareholders own and retain custody of all net assets related to both Insurance Operations and Shareholders' Operations and funds are allocated to Insurance Operations as required.

The fiscal year of the Company runs from 1 January to 31 December.

Cooperative insurance operations commenced with effect from 1 January 2009 following acquisition of the insurance portfolio and related business, assets and liabilities from Arabian Shield Insurance Company EC.

The Ministry of Commerce and Investment implemented the new companies' regulations with effect from 25 Rajab 1437H corresponding to 02 May 2016 ("Effective Date") promulgated by Royal Decree No. M/3 dated 28 Muharram 1437H corresponding to 10 November 2015 ("Companies' Regulations"). The Companies' Regulations replace the companies' regulations promulgated by Royal Decree No. M/6 dated 22 Rabi Al Awwal 1385H corresponding to 20 July 1965 and supersede all provisions that are inconsistent therewith.

Companies existing as at the Effective Date shall make all necessary amendments to their Articles to ensure compliance with the Companies' Regulations within a period of one year from the Effective Date. As of the date of approval of these Financial Statements the Company has completed all necessary amendments and is in full compliance with the Companies' Regulations.

2. STATEMENT OF COMPLIANCE

The Financial Statements for the year ended 31 December 2018 are prepared in accordance with the International Financial Reporting Standards ("IFRS") as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax, which requires adoption of IFRS as issued by the International Accounting Standards Board ("IASB") except for the application of International Accounting Standard ("IAS") 12 - Income Taxes and IFRIC 21 - Levies so far as these relate to zakat and income tax.

As per the SAMA Circular No. 381000074519 dated 11 April 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax ("SAMA Circular"), effective 01 January 2017, zakat and income tax are to be accrued through shareholders equity under retained earnings.



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3. INTRODUCTION OF IFRS 9, IFRS 16 AND IFRS 17

In November 2018 IASB proposed a one year deferral of the effective date for IFRS 17 to 01 January 2022 along with a temporary exemption for insurers to apply IFRS 9 so that both IFRS 9 and IFRS 17 will be applied at the same time. The proposed deferral is subject to public consultation which is expected in 2019.

IFRS 9: Financial Instruments (including amendments to IFRS 4, Insurance Contracts)

In July 2014, the IASB published IFRS 9 Financial Instruments which will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard incorporates new classification and measurement requirements for financial instruments, the introduction of an expected credit loss impairment model which will replace the incurred loss model of IAS 39 and new hedge accounting requirements.

Under IFRS 9, all financial instruments will be measured at either amortised cost or fair value. The basis of classification will depend on the business model and the contractual cash flow characteristics of the financial instruments.

The standard retains most of IAS 39 requirements for financial liabilities except for those designated at fair value through income statement whereby that part of the fair value changes attributable to own credit is to be recognised in other comprehensive income instead of the income statement. The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle based approach.

Temporary exemption from IFRS 9:

In September 2016, the IASB published amendments to IFRS 4 Insurance Contracts that address the accounting consequences of the application of IFRS 9 to insurers prior to the publication of the forthcoming accounting standard for insurance contracts.

The amendments to IFRS 4 allow two options for insurers regarding adoption of IFRS 9: deferral approach or overlay approach.

The deferral approach provides an entity, if eligible, with a temporary exemption from applying IFRS 9 until the earlier of the effective date of a new insurance contract standard or 01 January 2022. The overlay approach allows an entity to remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contracts standard is applied.

The Company is eligible to and has applied the deferral approach.

The impact of the adoption of IFRS 9 on the Company's Financial Statements will, to a large extent, have to take into account the interaction with the forthcoming accounting standard for insurance contracts and as such it is not possible to fully assess the effect of the adoption of IFRS 9.

IFRS 16: Leases

IFRS 16 which relates to leases will apply on-balance sheet accounting for both finance and operating leases thereby eliminating the dual accounting model allowed under IAS 17 and will apply to all accounting periods beginning on or after 01 January 2019.


The Company has decided not to adopt IFRS 16 early as would be permitted in certain circumstances and does not expect any material impacts arising from the future adoption of IFRS 16.

IFRS 17: Insurance Contracts

In May 2017 the IASB published IFRS 17 which applies to annual reporting periods on or after 01 January 2022 and replaces IFRS 4. The Company has decided not to adopt IFRS 17 early as would be permitted in certain circumstances.

IFRS 17 applies to virtually all insurance contracts, reinsurance contracts and investment contracts with insurance benefits and discretionary participation features.

The Company expects adoption of IFRS 17 to have a material impact on measurement and disclosure of insurance and reinsurance contracts that will affect the statement of income and statement of financial position.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

ALL AMOUNTS IN SAR '000

4. SIGNIFICANT ACCOUNTING POLICIES**a) Basis of Preparation**

The accounting policies, estimates and assumptions used in the preparation of the Financial Statements for the year ended 31 December 2018 are consistent with those used in the preparation of the Financial Statements for the year ended 31 December 2017 and no new or amended accounting policies or accounting standards were adopted by the Company during 2018.

The IFRS standards referred to in Note 3 above have had no material impact on the reported amounts in the Financial Statements for the current or prior years.

The Financial Statements are prepared under the going concern convention using the accrual basis of accounting. The historical cost convention is followed except for the measurement at fair value of available for sale investments - see Note 4(r).

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

Presentation is in Saudi Riyals, the functional currency of the Company. All amounts are derived from Arabic and English computerised accounting records and except where otherwise indicated are rounded to thousands using the standard rounding convention.

The statement of financial position is presented in order of liquidity but is not presented using a current / non-current classification. The table below identifies current and non-current assets and liabilities.

Financial Assets:**Current**

- Cash and cash equivalents
- Short term fixed income deposits
- Premiums and reinsurers' receivable – net
- Reinsurers' share of unearned gross premiums
- Reinsurers' share of outstanding gross claims
- Reinsurers' share of claims incurred but not reported
- Deferred policy acquisition costs
- Deferred withholding tax
- Deferred regulators' levies
- Deferred excess of loss expenses
- Investments
- Due from related parties – net
- Prepaid expenses and other assets

Non-current

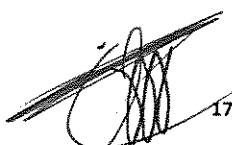
- Property and equipment – net
- Intangible assets – net
- Goodwill
- Statutory deposit
- Accrued income on statutory deposit

Financial Liabilities:**Current**

- Accrued and other liabilities
- Reinsurers' balances payable
- Unearned gross premiums
- Unearned reinsurance commission
- Outstanding gross claims
- Claims incurred but not reported
- Premium deficiency reserve
- Other technical reserves
- Due to related parties
- Accounts payable
- Withholding tax provision
- Regulators' levies provision
- Policyholders' surplus distribution payable
- Zakat
- Income tax

Non-current

- End-of-service indemnities
- Accrued commission income payable to SAMA





As required by the Implementing Regulations, the Company maintains separate books of account for Insurance Operations and Shareholders' Operations and presents the financial information accordingly. Assets, liabilities, 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 approved by the Board of Directors.

The statements of financial position, statements of income, statements of comprehensive income and statements of cash flows of the Insurance Operations and Shareholders' Operations which are presented in Note 39 on pages 61 to 66 of the Financial Statements have been provided as supplementary financial information to comply with the Implementing Regulations which require the clear segregation of the assets, liabilities, income and expenses of the Insurance Operations and the Shareholders' Operations. Accordingly, the statements of financial position, statements of income, statements of comprehensive income and statements of cash flows prepared for Insurance Operations and Shareholders' Operations referred to above reflect the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

In preparing the Financial Statements in compliance with IFRS, the balances and transactions of Insurance Operations are amalgamated and combined with those of Shareholders' Operations. Interoperation balances, transactions and unrealised gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for Insurance Operations and Shareholders' Operations are uniform for like transactions and events in similar circumstances.

The inclusion of separate information of Insurance Operations in the statements of financial position, statements of income, statements of comprehensive income, statements of cash flows as well as certain relevant notes to the Financial Statements represents additional supplementary information required by the Implementing Regulations but not required by IFRS.

b) Critical accounting judgments, estimates and assumptions

The preparation of Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amount of assets and liabilities, contingent assets and liabilities, resultant provisions, changes in fair value and the reported amounts of income and expense.

These judgements and estimates are based on the Company's best knowledge of current events and actions and are continually evaluated and updated, however future events could result in outcomes requiring material adjustments to the reported amounts.

In preparing Financial Statements significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied to the Financial Statements for the year ended 31 December 2017.

The following judgments and estimates have the most significant effect on the amounts recognised.

Impairment losses on receivables

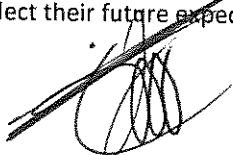
The Company assesses impairment for receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company establishes if there is objective evidence that all amounts due may not be collectible in accordance with the original terms of the contract and evaluates credit risk characteristics that consider past-due status being indicative of the ability to pay all amounts due as per contractual terms.

Insurance contract liabilities

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date.

It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies IBNR claims form a significant part of the liability. The primary technique adopted by the Company in estimating the cost of reported and IBNR claims is that of using past claims settlement trends to predict future claims settlement trends.

Historical claims development is analysed by underwriting year, accident year and further analysed by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected to reflect their future expected development.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018****ALL AMOUNTS IN SAR '000**

In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or other factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking into account all the uncertainties involved.

In addition a range of technical methods are used by the Company's actuaries to independently assess and critically review the estimates made by the Company.

Prior claims estimates are continually reviewed and adjusted as claims develop.

Insurance contract liabilities are not discounted for the time value of money as substantially all claims are expected to be paid within one year of the reporting date. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

Impairment of financial instruments

Financial instruments are considered impaired when it is determined there has been a significant or prolonged decline in fair value relative to cost. This determination requires judgement. In making this judgement factors are considered such as normal share price volatility, financial status of the investee including cash flow and sector and technology status and development.

Fair value of financial instruments

The fair value of financial instruments is based where possible on quoted prices for marketable securities. The fair value of commission bearing items is estimated based on discounted cash flows using commission rates for items with similar terms and risk characteristics.

For financial instruments where there is no active market, fair value is determined by reference to the market value of similar financial instruments or where this cannot be determined is calculated using a variety of valuation techniques. The assumptions are taken from observable market data where possible and where this is not possible judgment is relied upon to establish fair values.

c) Seasonality of operations

There are no seasonal changes that may affect insurance operations of the Company.

d) Currencies

Exchange rates prevailing at the date of transactions are used to translate transactions denominated in foreign currencies to Saudi Riyals.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date.

Resulting gains or losses, both realised and unrealised, are recognised as income or expense.

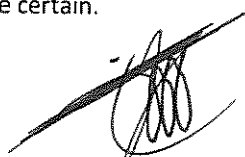
Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the date of the initial transaction and are not subsequently restated.

e) Trade date accounting

All purchases and sales of financial instruments are accounted for at trade date being the date the Company commits to purchase or sell the instruments.

f) Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provided amount to be recovered, the recovery is recognised only when it is believed to be certain.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

ALL AMOUNTS IN SAR '000

g) Fair value of financial instruments

The fair value of financial instruments is based where possible on quoted prices for marketable securities. The fair value of commission bearing items is estimated based on discounted cash flows using commission rates for items with similar terms and risk characteristics.

For financial instruments where there is no active market, fair value is determined by reference to the market value of similar financial instruments or where this cannot be determined is calculated using a variety of valuation techniques. The assumptions are taken from observable market data where possible and where this is not possible judgment is relied upon to establish fair values.

h) Impairment of financial instruments

The Company assesses at each reporting date whether there is objective evidence that a financial instrument or a group of financial instruments is impaired.

An impairment exists if one or more events that has occurred since the initial recognition of the instrument has an impact on the estimated future cash flows of the instrument or the group of instruments that can be reliably estimated.

Evidence of impairment may include:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial instrument because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial instruments since the initial recognition of those instruments, although the decrease cannot yet be identified with the individual financial instruments in the Company. This could include adverse changes in the payment status of issuers or debtors in the Company or national or local economic conditions at the country of the issuers that correlate with defaults.

If there is objective evidence that an impairment loss on a financial instrument exists, the impairment is determined as follows:

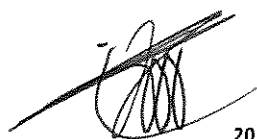
- For instruments carried at fair value impairment arises to the extent significant or prolonged decline in fair value has occurred.
- For instruments carried at amortized cost impairment arises to the extent discounted estimated future cash flows are significantly less than amortized cost.

For debt instruments classified as available for sale the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to credit events occurring after the impairment loss was recognized the impairment loss is reversed.

The determination of what is significant or prolonged requires judgement. In making this judgement a period of 12 months or longer is considered to be prolonged and decline of 30% from original cost is considered to be significant.

The Company considers factors such as market's assessment of creditworthiness as reflected in bond yields, rating agencies' assessment, country's ability to access capital markets and probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness. The amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of income and statement of comprehensive income.

For equity investments held as available for sale, a significant or prolonged decline in fair value below its carrying costs represents objective evidence of impairment. The impairment loss cannot be reversed through statement of income as long as the investment continues to be recognised i.e. any increase in fair value after impairment has been recorded can only be recognised in other comprehensive income. On derecognition, any cumulative gain or loss previously recognised in other comprehensive income is included in the statement of income under realized gain / (loss) on available for sale investments.



i) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment.

Assets that are subject to depreciation are reviewed for impairment annually or earlier if events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash-generating units and cash flows.

j) Derecognition of financial instruments

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

k) Recognition of premium and commission income

Gross Premiums and Gross Commission Income are recognised as revenue when the insurance policy is issued.

Ceded Premiums are deducted from Gross Premiums to arrive at Net Premiums.

Gross and Ceded Premiums and Gross Commission Income which relate to cover periods beyond the end of a financial period are calculated by the Company and reported as Unearned using the following methods:

Marine cargo risks:

Last three months actual period of cover preceding the reporting date.

Engineering construction risks with period of cover greater than one year:

Linearly increasing sums at risk applied to actual period of cover.

All other risks:

Pro-rata to actual period of cover.

l) Deferred Costs

Certain costs are deferred on initial recognition and subsequently expensed in direct proportion to income recognition of the underlying premiums to which they relate.

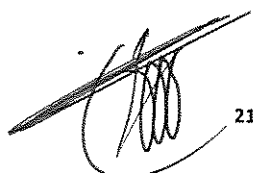
The costs subject to this policy are:

- Policy acquisition costs payable to insurance companies, brokers, agents and employees arising from the writing or renewing of insurance contracts.
- Withholding taxes levied on foreign payments.
- Regulators' levies.
- Excess of loss expenses.
- Claims handling costs payable to third party administrators arising from the processing of claims.

Impairment reviews are conducted regularly and any impairment loss is reflected in the statement of income.

m) Insurance and reinsurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.



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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 in this period.

Reinsurance contracts, by which the Company cedes insurance risks to reinsurers, are entered into by the Company in the normal course of business.

Under such contracts the Company agrees to cede part of the underlying premium to the reinsurer and the reinsurer agrees to pay commission on the ceded premium to the Company and to compensate the Company for losses arising on the underlying insurance contract.

Amounts recoverable from or due to reinsurers are recognized in the statement of financial position and the statement of income consistently with the treatment of amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract.

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

Reinsurance assets and liabilities are derecognised when the contractual rights expire or when the contract is transferred to another party.

Reinsurance contracts do not relieve the Company from its obligations to policyholders.

n) Segmental reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

o) Events after the reporting date

Adjustments are made to reflect the impact of events occurring between the reporting and publishing dates provided they give evidence of conditions that existed at the reporting date. Events that are indicative of conditions that arose after the reporting date are disclosed but no adjustment is made for their impact.

p) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank current accounts and deposits (including short term highly liquid investments) with original maturities of three months or less.

q) Fixed income deposits

Short term fixed income deposits are deposits maturing after 3 and before 12 months from the deposit placement date.

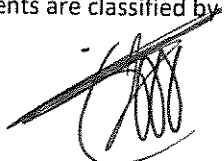
Long term fixed income deposits are deposits maturing more than 12 months from the deposit placement date.

r) Investments

The Company does not invest in derivatives.

At initial recognition the Company classifies its non derivative investments into three categories depending on the purpose for which the investments were acquired or originated - held to maturity, fair value through income statement and available for sale.

At the current reporting date all investments are classified by the Company as available for sale.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018****ALL AMOUNTS IN SAR '000**

Distributions of income for all three classifications are recognized when the right to receive the income is established. The income is reported in the statements of income.

Investments are derecognised when the right to receive cash flows and/or substantially all risks and rewards of ownership have expired or been transferred.

Held to maturity

Investments classified as held to maturity are those with fixed or determinable income and fixed maturities which the Company has the positive intention and ability to hold until maturity.

These investments are initially recognised at cost including any related transaction costs directly attributable to the acquisition.

At each reporting date they are remeasured at amortised cost using the effective interest rate method.

Valuation impairments are reported in the statements of income.

Valuation gains are reported in the statements of income only to the extent of cumulative impairments previously recognized.

Realised gains and losses arising on derecognition are reported in the statements of income.

Fair value through income statement

Investments classified as fair value through income statement are those acquired with the intention of trading in the near term.

These investments are initially recognized at fair value with any related transaction costs directly attributable to the acquisition charged to the statements of income on acquisition.

At each reporting date they are remeasured at fair value with the resulting unrealized gains or losses and any impairment charges reported in the statements of income.

Realised gains and losses arising on derecognition are reported in the statements of income.

Available for sale

Investments classified as available for sale are those which are not classified as held to maturity or as fair value through income statement and are acquired with the primary intention of holding for an indefinite period of time but which may require to be traded sooner in response to a need for liquidity or as a result of market changes.

These investments are initially recognised at cost including any related transaction costs directly attributable to the acquisition.

At each reporting date they are remeasured at fair value unless they do not have a quoted market price or there is no other appropriate method from which to derive reliable fair value in which case they remain stated at cost less any impairment.

Unrealised gains and losses arising from a remeasurement at fair value are reported in other comprehensive income and cumulatively held in a separate equity reserve unless the investment is impaired.

On derecognition of unimpaired investments the cumulative unrealized gains or losses previously reported in other comprehensive income and held in the separate equity reserve are transferred to and reported in the statements of income. Realised gains and losses arising on derecognition are reported in the statements of income.

On impairment of investments the impairment charges are reported in the statements of income and the cumulative unrealized gains or losses previously reported in other comprehensive income and held in the separate equity reserve are transferred to and reported in the statements of income.

Realised gains and losses arising on derecognition are reported in the statements of income.

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**NOTES TO THE FINANCIAL STATEMENTS
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Reclassification of available for sale investments

The Company evaluates whether the ability and intention to sell available for sale investments in the near future is still appropriate. If due to inactive markets the Company is unable to trade such investments it may elect to reclassify if it has the ability and intention to hold the investments for the foreseeable future or until maturity.

Reclassification to loans and receivables is permitted when the investments meet the definition of loans and receivables and the Company has the intention and ability to hold the investments for the foreseeable future or until maturity. Reclassification to held to maturity is permitted only when the Company has the ability and intention to hold the investment until maturity.

For an investment reclassified out of available for sale category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on that investment that has been recognised in equity is amortised to the statement of income over the remaining life of the investment using the effective interest rate method. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the investment using the effective interest rate method.

If the investment is subsequently determined to be impaired the amount recorded in equity is reclassified to the statement of income.

s) Premiums and reinsurers' receivables

Premiums receivables are stated at gross written premiums receivable from insurance contracts less an allowance for any uncollectible amounts. Premiums and reinsurer receivables are initially recognised at inception of the related insurance contract measured at the fair value of the consideration receivable. The carrying value of receivables is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable the impairment loss is recognized in the statement of income. Receivable balances are derecognised when the Company no longer controls the contractual rights that comprise the receivable balance which is normally the case when the receivable balance is sold or all cash flows attributable to the balance are passed through an independent third party. Receivables disclosed in Note 8 fall under the scope of IFRS 4 - Insurance Contracts.

The Implementing Regulations define the basis for the provision for doubtful receivables based on ageing of receivables from date of inception of insurance contracts regardless of any credit terms granted to the insured or reinsurer.

t) Property, equipment and intangible assets

Property, equipment and intangible assets are stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Replacement or major refurbishment costs are capitalised when incurred if it is probable that future economic benefits resulting from incurring the cost will arise and the cost can be measured reliably. All other repair and maintenance costs are charged to the statement of income as they are incurred.

Depreciation is provided on a straight line basis over the useful lives of the assets at the following rates:

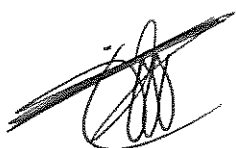
Fixed assets	Useful life in years
Leasehold fixtures	10
Office furniture	10
Office equipment	10
Motor vehicles	4
IT equipment	4

Intangible Assets	Useful life in years
IT systems	4

The assets' residual values and remaining useful lives are continually reviewed and adjusted if appropriate.

Impairment losses are recognised as an expense.

An item of property, equipment or an intangible asset is derecognised upon disposal or when no further future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is recognised as income or expense.





**NOTES TO THE FINANCIAL STATEMENTS
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Capital work-in-progress includes tangible and intangible assets being developed for future use and are not depreciated. When the assets are commissioned the work-in-progress amount is transferred to the respective asset categories and thereafter depreciated as set out above with effect from the commissioning date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are reported in the statement of income.

u) Goodwill

Goodwill is initially recognised at cost and is not amortised but subsequent to initial recognition is tested for impairment annually and carried at cost less accumulated impairment losses.

Impairment is determined by assessing the recoverable amount of each cash-generating unit or group of cash-generating units to which the goodwill relates. Where the recoverable amount is less than their carrying amount, an impairment loss is recognised.

Impairment losses are not reversed in subsequent periods.

v) Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases are charged to the statement of income on a straight-line basis over the period of the lease.

w) Claims

Claims comprise amounts payable to contract holders, third parties and related loss adjustment expenses, net of salvage and other recoveries.

In addition to amounts already paid, claims include estimated provisions determined from loss reports for claims reported but not settled together with provisions based on the Company's judgement and prior experience for claims incurred but not reported (IBNR).

Any differences crystallising between the provisions at the reporting date and subsequent settlements or adjustments to those provisions are recognised in the statement of income as income or expense as appropriate.

The Company does not discount its liability for unpaid claims as substantially all reported claims are expected to be paid within one year from occurrence.

While the Company believes that the estimated provisions are adequate, nevertheless, the ultimate liability of the outstanding claims may be in excess of or less than the provided amounts.

Some insurance contracts permit the Company to subsequently sell assets acquired in settling a claim usually damaged or salvaged goods and the Company may also have rights to pursue third parties for payment of some or all claim costs. Estimates of salvage and subrogation recoveries are included in the measurement of outstanding claims.

x) Liability adequacy test

At each reporting date the Company assesses whether there is any overall excess of expected claims over unearned premiums net of deferred acquisition costs. This calculation uses current estimates of future contractual cash flows after taking account of the return expected to arise on assets relating to the relevant insurance technical provisions. If that assessment shows that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the entire deficiency is immediately recognised and a provision created.

y) Provision for end-of-service benefits

Benefits payable to the employees of the Company at the end of their service are provided for in accordance with the labour laws of Saudi Arabia.

The cost of this benefit for each employee is charged over their period of employment and provisions are continually reassessed and adjusted on the basis of current salary, related benefits and completed service.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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On cessation of employment, the entitlement will be paid based upon the employees' final salary, related benefits and length of service.

Interim payments may be approved at the Company's discretion for employees with service in excess of 10 years.

The Company has calculated end-of-service liability in accordance with IAS 19.

No material difference arises between this amount and the liability calculated in accordance with the Labour Laws of the Kingdom of Saudi Arabia and accordingly no adjustment was required to the Financial Statements.

z) Dividend distribution

Dividend distribution is recognised as a liability in the period in which the dividend is approved by the shareholders.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	2018	2017
Insurance operations		
Bank balances and cash	26,523	15,195
Deposits maturing within 3 months from the acquisition date	226,862	362,223
Total	253,385	377,418
Shareholders' operations		
Bank balances and cash	1,492	748
Deposits maturing within 3 months from the acquisition date	175,689	171,790
Total	177,181	172,538
Combined balances		
Bank balances and cash	28,015	15,943
Deposits maturing within 3 months from the acquisition date	402,551	534,013
Total	430,566	549,956

All bank balances and deposits are placed with SAMA regulated local banks.

6. SHORT TERM FIXED INCOME DEPOSITS

Short term fixed income deposits maturing after 3 and before 12 months from the deposit placement date are as follows:

	2018	2017
Insurance operations	81,234	0
Shareholders' operations	0	0
Total	81,234	0

All bank balances and deposits are placed with SAMA regulated local banks.

7. STATUTORY DEPOSIT

All numbers in this note are stated in Saudi Riyal whole numbers and are not rounded to thousands.

The Company maintains a deposit of SAR 30,000,000 (31 December 2017: SAR 20,000,000) in a deposit account at The Saudi British Bank. This deposit was increased during 2018 by SAR 10,000,000 following the bonus share issue detailed in Note 26. This deposit cannot be withdrawn without SAMA's consent and the Company does not earn commission from the deposit.





NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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8. PREMIUMS AND REINSURERS' RECEIVABLE – NET

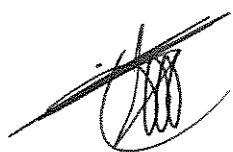
Receivable comprise amounts due from the following:

Non related parties	2018	2017
Policyholders	25,680	21,261
Brokers and agents	46,828	8,269
Receivables from reinsurers	12,779	19,022
Premiums and reinsurers' receivable – gross	85,287	48,552
Provision for doubtful receivables	(6,700)	(10,500)
Premiums and reinsurers' receivable – net	78,587	38,052
Related parties		
Policyholders	75,074	5,282
Provision for doubtful receivables	(11,400)	(1,000)
Due from related parties – net	63,674	4,282
Movement in the combined provision during the year		
Balance at start of year	11,500	7,500
Provided / (Reversal)	6,600	4,000
Written off	0	0
Balance at end of year	18,100	11,500

The ageing of receivables at the end of the year is as follows:

2018	Not Due or Impaired	Due but not impaired			Due and age impaired		Total
		0 - 30 Days	31 - 90 Days	91 - 180 Days	181 - 365 Days	> 365 Days	
Non related parties							
Policyholders	10,828	2,623	6,071	1,596	2,755	1,807	25,680
Brokers and agents	36,775	2,784	4,085	1,684	1,103	397	46,828
Reinsurers	0	7,137	1,757	595	1,111	2,179	12,779
Total	47,603	12,544	11,913	3,875	4,969	4,383	85,287
Related parties	57,953	1,922	3,784	9,996	1,372	47	75,074
2017							
Non related parties							
Policyholders	11,506	2,049	3,715	1,929	845	1,217	21,261
Brokers and agents	6,044	477	770	153	604	221	8,269
Reinsurers	0	18,476	7	(1,049)	1,002	586	19,022
Total	17,550	21,002	4,492	1,033	2,451	2,024	48,552
Related Parties	1,292	1,627	2,002	426	(47)	(18)	5,282

The Company only enters into insurance and reinsurance contracts with recognized credit worthy parties. All customers wishing to trade on credit terms are subject to credit verification procedures. All receivables are monitored on an on-going basis to minimise exposure to bad debts. The five largest receivables at 31 December 2018 account for 75% of the total (2017: 45%).





NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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9. DEFERRED COSTS

	Policy Acquisition	Withholding Tax	Regulators' Levies	Excess of Loss Expenses
Payable				
Balance 31 December 2016	530	13,651	1,579	0
Provided	27,058	10,359	5,871	2,103
Paid	(26,726)	(11,507)	(6,402)	(2,103)
Balance 31 December 2017	862	12,503	1,048	0
Balance 31 December 2017	862	12,503	1,048	0
Provided	21,764	7,512	7,114	2,230
Paid	(18,666)	(7,788)	(6,692)	(2,230)
Balance 31 December 2018	3,960	12,227	1,470	0

Deferral				
Balance 31 December 2016	18,623	4,728	2,290	0
Provided	27,058	10,359	5,871	2,103
Incurred	(37,637)	(13,149)	(6,556)	(2,103)
Balance 31 December 2017	8,044	1,938	1,605	0
Balance 31 December 2017	8,044	1,938	1,605	0
Provided	21,764	7,512	7,114	2,230
Incurred	(22,501)	(7,866)	(5,890)	(2,230)
Balance 31 December 2018	7,307	1,584	2,829	0

Net charge incurred

	2018	2017
Policy Acquisition Costs		
Provided	21,764	27,058
Opening deferral reversal	8,044	18,623
Closing deferral	(7,307)	(8,044)
Incurred	22,501	37,637
Withholding Tax		
Provided	7,512	10,359
Opening deferral reversal	1,938	4,728
Closing deferral	(1,584)	(1,938)
Incurred	7,866	13,149
Regulators' Levies		
Provided	7,114	5,871
Opening deferral reversal	1,605	2,290
Closing deferral	(2,829)	(1,605)
Incurred	5,890	6,556
Excess of Loss Expenses		
Provided	2,230	2,103
Opening deferral reversal	0	0
Closing deferral	(0)	(0)
Incurred	2,230	2,103

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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10. POLICYHOLDERS' SURPLUS DISTRIBUTION PAYABLE

	2018	2017
Balance at start of year	11,995	11,231
Surplus earned during year	2,697	11,995
Surplus paid during year	(11,995)	(11,231)
Balance at end of year	2,697	11,995

11. INVESTMENTS

There are no investments for Insurance Operations at 31 December 2018 (31 December 2017: None).

All investments shown below are for Shareholders' Operations.

All investments are classified as available for sale.

Classification of investment balances

	2018	2017
Held as fair value through income statements	0	0
Available for sale	198,901	140,728
Other investments held at amortized costs	0	0
Held to maturity	0	0
Total investments	198,901	140,728

Movement in investments

	2018	2017
Investments at cost	138,807	100,765
Cumulative unrealised gains / (losses)	1,921	0
Total balance at start of year	140,728	100,765

Purchases at cost	190,005	47,795
Disposals at cost	(132,187)	(9,753)
Net movement at cost	57,818	38,042

Net change in fair value of investments	1,834	2,188
Net realised amounts transferred to statement of income	(1,479)	(267)
Net change in unrealised fair value of investments	355	1,921

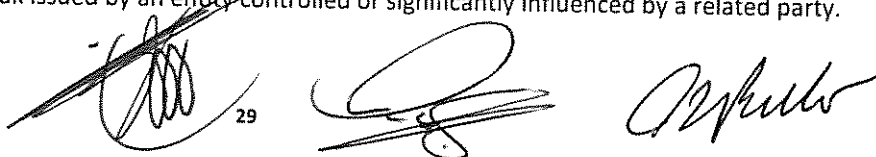
Impairment of investments	0	0
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Investments at cost	196,625	138,807
Cumulative unrealised gains / (losses)	2,276	1,921
Total balance at end of year	198,901	140,728

Realised gains / (losses) to Statement of Income

	2018	2017
Proceeds from disposal of investments	133,666	10,020
Costs of investments sold	(132,187)	(9,753)
Realised gains / (losses)	1,479	267

Investments include an investment stated in Saudi Riyal whole numbers not rounded to thousands of SAR 3,000,000 (31 December 2017: SAR 3,000,000) in a Sukuk issued by an entity controlled or significantly influenced by a related party.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

ALL AMOUNTS IN SAR '000

12. FAIR VALUES OF FINANCIAL INSTRUMENTS**Determination of fair value**

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between knowledgeable and willing market participants at the measurement date.

Underlying the definition of fair value is a presumption that the enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms and that the transaction takes place either:

- in the accessible principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous accessible market for the asset or liability.

The fair value of financial instruments is based where possible on quoted prices for marketable securities. The fair value of commission bearing items is estimated based on discounted cash flows using commission rates for items with similar terms and risk characteristics.

For financial instruments where there is no active market, fair value is determined by reference to the market value of similar financial instruments or where this cannot be determined, they are calculated using a variety of valuation techniques. The assumptions are taken from observable market data where possible and where this is not possible judgment is relied upon to establish fair values.

Fair value hierarchy

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

- Level 1: Quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;
- Level 2: Quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

The fair values of on-balance sheet financial instruments are not significantly different from their carrying amounts included in the Financial Statements.

Carrying amounts and fair values

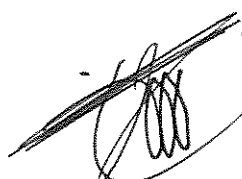
The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value.

No financial instruments measured at fair value exist for Insurance Operations at 31 December 2018 (31 December 2017: None).

Available for sale investments are the only financial instruments measured at fair value for Shareholders' Operations.

Available for Sale Investments

	Level 1	Level 2	Level 3	Carrying Amounts
Mutual funds	85,465	0	0	85,465
Sukuks	0	111,513	0	111,513
Equities	0	0	1,923	1,923
Total 31 December 2018	85,465	111,513	1,923	198,901
Mutual funds	100,805	0	0	100,805
Sukuks	0	38,000	0	38,000
Equities	0	0	1,923	1,923
Total 31 December 2017	100,805	38,000	1,923	140,728





NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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There were no transfers or reclassifications between or within levels during the year ended 31 December 2018 (year ended 31 December 2017: None).

Measurement of fair values for above level categories

- The Level 1 mutual funds are valued based on quoted market price.
- Fair values for the Level 2 sukuk holdings are determined based on broker quotes.
- The Level 3 unquoted equity investment represents the Company's holding in Najm for Insurance Services ("Najm"), a service provider to the motor insurance industry in Saudi Arabia. Najm is jointly owned by the insurance companies participating in motor class. Carrying value is currently reflected at historical cost. The annual financial statements of Najm are examined and analysed to assess any need for impairment.

The analysis of available for sale investments held at fair value is shown in Note 12 above.

13. PROPERTY AND EQUIPMENT – NET

Property and Equipment – Net							
	Leasehold Fixtures	Office Furniture	Office Equipment	Motor Vehicles	IT Equipment	Capital Work in Progress	Total
Cost							
Balance 31 Dec 2016	3,902	1,189	2,688	622	5,077	0	13,478
Additions	1,086	225	260	20	1,229	0	2,820
Disposals	0	0	0	(193)	0	0	(193)
Balance 31 Dec 2017	4,988	1,414	2,948	449	6,306	0	16,105
Balance 31 Dec 2017	4,988	1,414	2,948	449	6,306	0	16,105
Additions	306	90	405	0	1,308	442	2,551
Disposals	(0)	(0)	(0)	(214)	(0)	0	(214)
Balance 31 Dec 2018	5,294	1,504	3,353	235	7,614	442	18,442
Depreciation							
Balance 31 Dec 2016	2,488	841	2,286	507	4,245	0	10,367
Additions	575	138	385	38	717	0	1,853
Disposals	0	0	0	(190)	0	0	(190)
Balance 31 Dec 2017	3,063	979	2,671	355	4,962	0	12,030
Balance 31 Dec 2017	3,063	979	2,671	355	4,962	0	12,030
Additions	540	159	234	23	1,059	0	2,015
Disposals	(0)	(0)	(0)	(198)	(0)	0	(198)
Balance 31 Dec 2018	3,603	1,138	2,905	180	6,021	0	13,847
Net Book Value 31 Dec 2017	1,925	435	277	94	1,344	0	4,075
Net Book Value 31 Dec 2018	1,691	366	448	55	1,593	442	4,595

NOTES TO THE FINANCIAL STATEMENTS
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14. INTANGIBLE ASSETS – NET

Intangible Assets – Net			
	IT Systems	Capital Work in Progress	Total
Cost			
Balance 31 Dec 2016	9,980	0	9,980
Additions	2,488	0	2,488
Disposals	0	0	0
Balance 31 Dec 2017	12,468	0	12,468
Balance 31 Dec 2017	12,468	0	12,468
Additions	652	5,815	6,467
Disposals	(0)	0	(0)
Balance 31 Dec 2018	13,120	5,815	18,935
Amortisation			
Balance 31 Dec 2016	5,541	0	5,541
Additions	4,426	0	4,426
Disposals	0	0	0
Balance 31 Dec 2017	9,967	0	9,967
Balance 31 Dec 2017	9,967	0	9,967
Additions	1,411	0	1,411
Disposals	(0)	0	(0)
Balance 31 Dec 2018	11,378	0	11,378
Net Book Value 31 Dec 2017	2,501	0	2,501
Net Book Value 31 Dec 2018	1,742	5,815	7,557

15. PURCHASE OF INSURANCE PORTFOLIO AND RELATED BUSINESS, ASSETS AND LIABILITIES OF ARABIAN SHIELD INSURANCE COMPANY EC

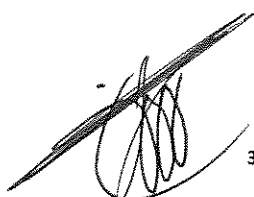
All numbers in this note are stated in Saudi Riyal whole numbers and are not rounded to thousands.

The insurance portfolio and related business of Arabian Shield Insurance Company EC was acquired by the Company effective 01 January 2009 at a purchase consideration approved by SAMA resulting in a Goodwill amount of SAR 49,100,000.

The related assets and liabilities of Arabian Shield Insurance Company EC were also acquired at book value amounting to SAR 20,825,600 as per the audited Financial Statements of Arabian Shield Insurance Company EC at 31 December 2008.

The combined sum due to Arabian Shield Insurance Company EC in consideration for goodwill and net assets acquired amounted to SAR 69,925,600.

Based on criteria related to the Company's earnings up to 31 December 2015 the Goodwill amount was subsequently reduced by SAR 2,306,137 to SAR 46,793,863. This in turn resulted in a reduction in the combined sum due to Arabian Shield Insurance Company EC from SAR 69,925,600 to SAR 67,619,463 which has been fully paid with no further amounts owing.





NOTES TO THE FINANCIAL STATEMENTS
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16. ANALYSIS OF WRITTEN AND EARNED PREMIUMS

Written premiums	2018	2017
Gross premiums written	625,101	593,078
Ceded premiums written	(170,305)	(196,707)
Net premiums written	454,796	396,371
Excess of loss expenses incurred	(2,230)	(2,103)
Net premiums	452,566	394,268

Earned premiums	2018	2017
Gross premiums earned	559,623	716,385
Ceded premiums earned	(177,542)	(253,228)
Net premiums earned	382,081	463,157
Excess of loss expenses incurred	(2,230)	(2,103)
Net premiums	379,851	461,054

17. MOVEMENT IN UNEARNED PREMIUMS

	Gross	Reinsurance	Net
2018			
Balance at start of year	155,564	(40,626)	114,938
Premium written during year	625,101	(172,535)	452,566
Premium earned during year	(559,623)	179,772	(379,851)
Balance at end of year	221,042	(33,389)	187,653
Change in unearned premiums	65,478	7,237	72,715

2017			
Balance at start of year	278,871	(97,147)	181,724
Premium written during year	593,078	(198,810)	394,268
Premium earned during year	(716,385)	255,331	(461,054)
Balance at end of year	155,564	(40,626)	114,938
Change in unearned premiums	(123,307)	56,521	(66,786)





NOTES TO THE FINANCIAL STATEMENTS
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18. ANALYSIS OF WRITTEN AND EARNED REINSURANCE COMMISSION

Written commission	2018	2017
Standard commission written	34,258	38,895
Profit commission written	1,440	924
Total commission written	35,698	39,819

Earned commission	2018	2017
Standard commission earned	35,398	49,763
Profit commission earned	1,440	924
Total commission earned	36,838	50,687

19. MOVEMENT IN UNEARNED REINSURANCE COMMISSION

	Standard Commission	Profit Commission	Total Commission
2018			
Balance at start of year	7,987	0	7,987
Commission written during year	34,258	1,440	35,698
Commission earned during year	(35,398)	(1,440)	(36,838)
Balance at end of year	6,847	0	6,847
Change in unearned commission	(1,140)	0	(1,140)

2017			
Balance at start of year	18,855	0	18,855
Commission written during year	38,895	924	39,819
Commission earned during year	(49,763)	(924)	(50,687)
Balance at end of year	7,987	0	7,987
Change in unearned commission	(10,868)	0	(10,868)

20. ACCOUNTS PAYABLE

	2018	2017
Policy acquisition costs payable	3,960	862
Other accounts payable	4,741	11,087
Total	8,701	11,949

21. REINSURERS' BALANCES PAYABLE

	2018	2017
Excess of Loss contracts	0	0
Other contracts	10,760	6,026
Total	10,760	6,026





NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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22. OUTSTANDING CLAIMS AND TECHNICAL RESERVES

	2018	2017
Outstanding gross claims	173,569	104,731
Less realisable value of salvage and subrogation	0	0
Sub Total	173,569	104,731
Gross claims incurred but not reported	194,280	179,883
Premium deficiency reserve	4,900	0
Other technical reserves	9,925	8,125
Outstanding gross claims and reserves	382,674	292,739
Less reinsurers' share of outstanding gross claims	(71,391)	(58,958)
Less reinsurers' share of gross claims incurred but not reported	(81,748)	(73,796)
Outstanding claims and technical reserves, net	229,535	159,985

23. MOVEMENT IN OUTSTANDING CLAIMS AND TECHNICAL RESERVES

2018	Gross	Reinsurers	Net
Outstanding claims	104,731	(58,958)	45,773
IBNR reserve	179,883	(73,796)	106,087
Premium deficiency reserve	0	(0)	0
Other technical reserves	8,125	(0)	8,125
Total at start of year	292,739	(132,754)	159,985
Provided claims	373,435	(95,645)	277,790
Provided IBNR reserve	14,397	(7,952)	6,445
Provided premium deficiency reserve	4,900	(0)	4,900
Provided other technical reserves	1,800	(0)	1,800
Total provided during the year	394,532	(103,597)	290,935
Paid claims during the year	(304,597)	83,212	(221,385)
Outstanding claims	173,569	(71,391)	102,178
Outstanding IBNR reserve	194,280	(81,748)	112,532
Outstanding premium deficiency reserve	4,900	(0)	4,900
Outstanding other technical reserves	9,925	(0)	9,925
Total at end of year	382,674	(153,139)	229,535
Change in outstanding claims	68,838	(12,433)	56,405
Change in IBNR reserve	14,397	(7,952)	6,445
Change in premium deficiency reserve	4,900	(0)	4,900
Change in other technical reserves	1,800	(0)	1,800





NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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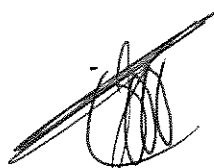
2017	Gross	Reinsurers	Net
Outstanding claims	93,878	(60,289)	33,589
IBNR reserve	162,917	(56,981)	105,936
Premium deficiency reserve	0	(0)	0
Other technical reserves	8,125	(0)	8,125
Total at start of year	264,920	(117,270)	147,650
Provided claims	380,102	(121,744)	258,358
Provided IBNR reserve	16,966	(16,815)	151
Provided premium deficiency reserve	0	(0)	0
Provided other technical reserves	0	(0)	0
Total provided during the year	397,068	(138,559)	258,509
Paid claims during the year	(369,249)	123,075	(246,174)
Outstanding claims	104,731	(58,958)	45,773
Outstanding IBNR reserve	179,883	(73,796)	106,087
Outstanding premium deficiency reserve	0	(0)	0
Outstanding other technical reserves	8,125	(0)	8,125
Total at end of year	292,739	(132,754)	159,985
Change in outstanding claims	10,853	1,331	12,184
Change in IBNR reserve	16,966	(16,815)	151
Change in premium deficiency reserve	0	(0)	0
Change in other technical reserves	0	0	0

24. CLAIMS DEVELOPMENT

The Company aims to maintain adequate reserves in respect of its insurance contracts in order to protect against adverse future claims experience and developments.

The triangulation analysis and tables below reflect, by accident year, the cumulative development of reported claims up to each subsequent annual reporting date. Cumulative payments against reported claims are shown and deducted from the cumulative development of reported claims to show the reserve for outstanding reported claims. The reserve at the latest reporting date for incurred but not reported claims (IBNR) is added to complete the estimate of the ultimate value of claims cumulatively incurred to that reporting date whether reported or not. Comparative tables at 31 December 2017 are shown.

Quarterly evaluation techniques demonstrate the adequacy of IBNR reserves and the Company's capability to accurately predict the ultimate claims liability.





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Gross claims developing from 31 Dec 2013	Accident Years	2013 & Earlier	2014	2015	2016	2017	2018	Total
Reported gross claims		940,666						940,666
IBNR		41,283						41,283
Total at 31 Dec 2013		981,949						981,949
Reported gross claims		944,614	1,300,805					2,245,419
IBNR		5,083	211,497					216,580
Total at 31 Dec 2014		949,697	1,512,302					2,461,999
Reported gross claims		945,530	1,073,929	320,274				2,339,733
IBNR		2,083	7,308	97,836				107,227
Total at 31 Dec 2015		947,613	1,081,237	418,110				2,446,960
Reported gross claims		948,346	1,078,278	375,129	275,158			2,676,911
IBNR		4,897	5,931	14,491	137,598			162,917
Total at 31 Dec 2016		953,243	1,084,209	389,620	412,756			2,839,828
Reported gross claims		941,751	1,080,360	375,300	316,901	345,326		3,059,638
IBNR		4,250	5,005	9,873	46,888	113,867		179,883
Total at 31 Dec 2017		946,001	1,085,365	385,173	363,789	459,193		3,239,521
Reported gross claims		942,807	1,082,370	376,079	321,112	373,654	337,050	3,433,072
IBNR		2,250	3,750	6,195	30,176	44,402	107,507	194,280
Total at 31 Dec 2018		945,057	1,086,120	382,274	351,288	418,056	444,557	3,627,352
Cumulative ultimate gross claims		945,057	1,086,120	382,274	351,288	418,056	444,557	3,627,352
Cumulative gross claims to 31 Dec 2018		942,807	1,082,370	376,079	321,112	373,654	337,050	3,433,072
Cumulative payments to 31 Dec 2018		(929,526)	(1,075,118)	(369,205)	(308,656)	(354,896)	(222,102)	(3,259,503)
Outstanding gross claims at 31 Dec 2018		13,281	7,252	6,874	12,456	18,758	114,948	173,569
Gross IBNR at 31 Dec 2018		2,250	3,750	6,195	30,176	44,402	107,507	194,280
Outstanding gross claims and IBNR at 31 Dec 2018		15,531	11,002	13,069	42,632	63,160	222,455	367,849

Gross claims and IBNR cumulatively developing from 31 Dec 2013	Cumulative Accident Years	2013 & Earlier	2014 & Earlier	2015 & Earlier	2016 & Earlier	2017 & Earlier	2018 & Earlier
At 31 Dec 2013	Cum Incurred	940,666					
	IBNR	41,283					
	Total	981,949					
At 31 Dec 2014	Cum Incurred	944,614	2,245,419				
	IBNR	5,083	216,580				
	Total	949,697	2,461,999				
At 31 Dec 2015	Cum Incurred	945,530	2,019,459	2,339,733			
	IBNR	2,083	9,391	107,227			
	Total	947,613	2,028,850	2,446,960			
At 31 Dec 2016	Cum Incurred	948,346	2,026,624	2,401,753	2,676,911		
	IBNR	4,897	10,828	25,319	162,917		
	Total	953,243	2,037,452	2,427,072	2,839,828		
At 31 Dec 2017	Cum Incurred	941,751	2,022,111	2,397,411	2,714,312	3,059,638	
	IBNR	4,250	9,255	19,128	66,016	179,883	
	Total	946,001	2,031,366	2,416,539	2,780,328	3,239,521	
At 31 Dec 2018	Cum Incurred	942,807	2,025,177	2,401,256	2,722,368	3,096,022	3,433,072
	IBNR	2,250	6,000	12,195	42,371	86,773	194,280
	Total	945,057	2,031,177	2,413,451	2,764,739	3,182,795	3,627,352
Initially Reserved including IBNR		981,949	2,461,999	2,446,960	2,839,828	3,239,521	3,627,352
Cumulative development excluding IBNR to 31 Dec 2018		942,807	2,025,177	2,401,256	2,722,368	3,096,022	3,433,072
Cumulative development including IBNR to 31 Dec 2018		945,057	2,031,177	2,413,451	2,764,739	3,182,795	3,627,352

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Ceded claims developing from 31 Dec 2013	Accident Years	2013 & Earlier	2014	2015	2016	2017	2018	Total
Reported ceded claims		322,115						322,115
IBNR		15,885						15,885
Total at 31 Dec 2013		338,000						338,000
Reported ceded claims		303,938	1,127,774					1,431,712
IBNR		1,264	177,744					179,008
Total at 31 Dec 2014		305,202	1,305,518					1,610,720
Reported ceded claims		302,963	878,298	132,276				1,313,537
IBNR		1,248	3,654	38,157				43,059
Total at 31 Dec 2015		304,211	881,952	170,433				1,356,596
Reported ceded claims		302,933	880,581	156,935	87,004			1,427,453
IBNR		1,266	2,966	7,245	45,504			56,981
Total at 31 Dec 2016		304,199	883,547	164,180	132,508			1,484,434
Reported ceded claims		299,728	880,791	156,190	96,581	115,906		1,549,196
IBNR		866	2,141	4,900	17,705	48,184		73,796
Total at 31 Dec 2017		300,594	882,932	161,090	114,286	164,090		1,622,992
Reported ceded claims		298,887	881,786	156,210	98,299	125,788	83,873	1,644,843
IBNR		566	1,641	2,508	15,090	22,189	39,754	81,748
Total at 31 Dec 2018		299,453	883,427	158,718	113,389	147,977	123,627	1,726,591
Cumulative ultimate ceded claims		299,453	883,427	158,718	113,389	147,977	123,627	1,726,591
Cumulative ceded claims to 31 Dec 2018		298,887	881,786	156,210	98,299	125,788	83,873	1,644,843
Cumulative payments to 31 Dec 2018		(292,291)	(876,427)	(151,167)	(89,715)	(111,263)	(52,589)	(1,573,452)
Outstanding ceded claims at 31 Dec 2018		6,596	5,359	5,043	8,584	14,525	31,284	71,391
Ceded IBNR at 31 Dec 2018		566	1,641	2,508	15,090	22,189	39,754	81,748
Outstanding ceded claims and IBNR at 31 Dec 2018		7,162	7,000	7,551	23,674	36,714	71,038	153,139

Ceded claims and IBNR cumulatively developing from 31 Dec 2013	Cumulative Accident Years	2013 & Earlier	2014 & Earlier	2015 & Earlier	2016 & Earlier	2017 & Earlier	2018 & Earlier
At 31 Dec 2013	Cum Incurred	322,115					
	IBNR	15,885					
	Total	338,000					
At 31 Dec 2014	Cum Incurred	303,938	1,431,712				
	IBNR	1,264	179,008				
	Total	305,202	1,610,720				
At 31 Dec 2015	Cum Incurred	302,963	1,181,261	1,313,537			
	IBNR	1,248	4,902	43,059			
	Total	304,211	1,186,163	1,356,596			
At 31 Dec 2016	Cum Incurred	302,933	1,183,514	1,340,449	1,427,453		
	IBNR	1,266	4,232	11,477	56,981		
	Total	304,199	1,187,746	1,351,926	1,484,434		
At 31 Dec 2017	Cum Incurred	299,728	1,180,519	1,336,709	1,433,290	1,549,196	
	IBNR	866	3,007	7,907	25,612	73,796	
	Total	300,594	1,183,526	1,344,616	1,458,902	1,622,992	
At 31 Dec 2018	Cum Incurred	298,887	1,180,673	1,336,883	1,435,182	1,560,970	1,644,843
	IBNR	566	2,207	4,715	19,805	41,994	81,748
	Total	299,453	1,182,880	1,341,598	1,454,987	1,602,964	1,726,591
Initially Reserved including IBNR		338,000	1,610,720	1,356,596	1,484,434	1,622,992	1,726,591
Cumulative development excluding IBNR to 31 Dec 2018		298,887	1,180,673	1,336,883	1,435,182	1,560,970	1,644,843
Cumulative development including IBNR to 31 Dec 2018		299,453	1,182,880	1,341,598	1,454,987	1,602,964	1,726,591

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Net claims developing from 31 Dec 2013	Accident Years	2013 & Earlier	2014	2015	2016	2017	2018	Total
Reported net claims		618,551						618,551
IBNR		25,398						25,398
Total at 31 Dec 2013		643,949						643,949
Reported net claims		640,676	173,031					813,707
IBNR		3,819	33,753					37,572
Total at 31 Dec 2014		644,495	206,784					851,279
Reported net claims		642,567	195,631	187,998				1,026,196
IBNR		835	3,654	59,679				64,168
Total at 31 Dec 2015		643,402	199,285	247,677				1,090,364
Reported net claims		645,413	197,697	218,194	188,154			1,249,458
IBNR		3,631	2,965	7,246	92,094			105,936
Total at 31 Dec 2016		649,044	200,662	225,440	280,248			1,355,394
Reported net claims		642,023	199,569	219,110	220,320	229,420		1,510,442
IBNR		3,384	2,864	4,973	29,183	65,683		106,087
Total at 31 Dec 2017		645,407	202,433	224,083	249,503	295,103		1,616,529
Reported net claims		643,920	200,584	219,869	222,813	247,866	253,177	1,788,229
IBNR		1,684	2,109	3,687	15,086	22,213	67,753	112,532
Total at 31 Dec 2018		645,604	202,693	223,556	237,899	270,079	320,930	1,900,761
Cumulative ultimate net claims		645,604	202,693	223,556	237,899	270,079	320,930	1,900,761
Cumulative net claims to 31 Dec 2018		643,920	200,584	219,869	222,813	247,866	253,177	1,788,229
Cumulative payments to 31 Dec 2018		(637,235)	(198,691)	(218,038)	(218,941)	(243,633)	(169,513)	(1,686,051)
Outstanding net claims at 31 Dec 2018		6,685	1,893	1,831	3,872	4,233	83,664	102,178
Net IBNR at 31 Dec 2018		1,684	2,109	3,687	15,086	22,213	67,753	112,532
Outstanding net claims and IBNR at 31 Dec 2018		8,369	4,002	5,518	18,958	26,446	151,417	214,710

Net claims and IBNR cumulatively developing from 31 Dec 2013	Cumulative Accident Years	2013 & Earlier	2014 & Earlier	2015 & Earlier	2016 & Earlier	2017 & Earlier	2018 & Earlier
At 31 Dec 2013	Cum Incurred	618,551					
	IBNR	25,398					
	Total	643,949					
At 31 Dec 2014	Cum Incurred	640,676	813,707				
	IBNR	3,819	37,572				
	Total	644,495	851,279				
At 31 Dec 2015	Cum Incurred	642,567	838,198	1,026,196			
	IBNR	835	4,489	64,168			
	Total	643,402	842,687	1,090,364			
At 31 Dec 2016	Cum Incurred	645,413	843,110	1,061,304	1,249,458		
	IBNR	3,631	6,596	13,842	105,936		
	Total	649,044	849,706	1,075,146	1,355,394		
At 31 Dec 2017	Cum Incurred	642,023	841,592	1,060,702	1,281,022	1,510,442	
	IBNR	3,384	6,248	11,221	40,404	106,087	
	Total	645,407	847,840	1,071,923	1,321,426	1,616,529	
At 31 Dec 2018	Cum Incurred	643,920	844,504	1,064,373	1,287,186	1,535,052	1,788,229
	IBNR	1,684	3,793	7,480	22,566	44,779	112,532
	Total	645,604	848,297	1,071,853	1,309,752	1,579,831	1,900,761
Initially Reserved including IBNR		643,949	851,279	1,090,364	1,355,394	1,616,529	1,900,761
Cumulative development excluding IBNR to 31 Dec 2018		643,920	844,504	1,064,373	1,287,186	1,535,052	1,788,229
Cumulative development including IBNR to 31 Dec 2018		645,604	848,297	1,071,853	1,309,752	1,579,831	1,900,761

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Gross claims developing from 31 Dec 2012	Accident Years	2012 & Earlier	2013	2014	2015	2016	2017	Total
Reported gross claims		670,852						670,852
IBNR		25,375						25,375
Total at 31 Dec 2012		696,227						696,227
Reported gross claims		677,578	263,088					940,666
IBNR		6,686	34,597					41,283
Total at 31 Dec 2013		684,264	297,685					981,949
Reported gross claims		679,963	264,651	1,300,805				2,245,419
IBNR		2,351	2,732	211,497				216,580
Total at 31 Dec 2014		682,314	267,383	1,512,302				2,461,999
Reported gross claims		680,330	265,200	1,073,929	320,274			2,339,733
IBNR		33	2,050	7,308	97,836			107,227
Total at 31 Dec 2015		680,363	267,250	1,081,237	418,110			2,446,960
Reported gross claims		682,193	266,153	1,078,278	375,129	275,158		2,676,911
IBNR		33	4,864	5,931	14,491	137,598		162,917
Total at 31 Dec 2016		682,226	271,017	1,084,209	389,620	412,756		2,839,828
Reported gross claims		680,638	261,113	1,080,360	375,300	316,901	345,326	3,059,638
IBNR		33	4,217	5,005	9,873	46,888	113,867	179,883
Total at 31 Dec 2017		680,671	265,330	1,085,365	385,173	363,789	459,193	3,239,521
Cumulative ultimate gross claims		680,671	265,330	1,085,365	385,173	363,789	459,193	3,239,521
Cumulative gross claims to 31 Dec 2017		680,638	261,113	1,080,360	375,300	316,901	345,326	3,059,638
Cumulative payments to 31 Dec 2017		(668,925)	(258,455)	(1,072,871)	(367,318)	(303,170)	(284,168)	(2,954,907)
Outstanding gross claims at 31 Dec 2017		11,713	2,658	7,489	7,982	13,731	61,158	104,731
Gross IBNR at 31 Dec 2017		33	4,217	5,005	9,873	46,888	113,867	179,883
Outstanding gross claims and IBNR at 31 Dec 2017		11,746	6,875	12,494	17,855	60,619	175,025	284,614

Gross claims and IBNR cumulatively developing from 31 Dec 2012	Cumulative Accident Years	2012 & Earlier	2013 & Earlier	2014 & Earlier	2015 & Earlier	2016 & Earlier	2017 & Earlier
At 31 Dec 2012	Cum Incurred	670,852					
	IBNR	25,375					
	Total	696,227					
At 31 Dec 2013	Cum Incurred	677,578	940,666				
	IBNR	6,686	41,283				
	Total	684,264	981,949				
At 31 Dec 2014	Cum Incurred	679,963	944,614	2,245,419			
	IBNR	2,351	5,083	216,580			
	Total	682,314	949,697	2,461,999			
At 31 Dec 2015	Cum Incurred	680,330	945,530	2,019,459	2,339,733		
	IBNR	33	2,083	9,391	107,227		
	Total	680,363	947,613	2,028,850	2,446,960		
At 31 Dec 2016	Cum Incurred	682,193	948,346	2,026,624	2,401,753	2,676,911	
	IBNR	33	4,897	10,828	25,319	162,917	
	Total	682,226	953,243	2,037,452	2,427,072	2,839,828	
At 31 Dec 2017	Cum Incurred	680,638	941,751	2,022,111	2,397,411	2,714,312	3,059,638
	IBNR	33	4,250	9,255	19,128	66,016	179,883
	Total	680,671	946,001	2,031,366	2,416,539	2,780,328	3,239,521
Initially Reserved including IBNR		696,227	981,949	2,461,999	2,446,960	2,839,828	3,239,521
Cumulative development excluding IBNR to 31 Dec 2017		680,638	941,751	2,022,111	2,397,411	2,714,312	3,059,638
Cumulative development including IBNR to 31 Dec 2017		680,671	946,001	2,031,366	2,416,539	2,780,328	3,239,521

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Ceded claims developing from 31 Dec 2012	Accident Years	2012 & Earlier	2013	2014	2015	2016	2017	Total
Reported ceded claims		222,732						222,732
IBNR		8,100						8,100
Total at 31 Dec 2012		230,832						230,832
Reported ceded claims		215,155	106,960					322,115
IBNR		586	15,299					15,885
Total at 31 Dec 2013		215,741	122,259					338,000
Reported ceded claims		213,679	90,259	1,127,774				1,431,712
IBNR		679	585	177,744				179,008
Total at 31 Dec 2014		214,358	90,844	1,305,518				1,610,720
Reported ceded claims		213,655	89,308	878,298	132,276			1,313,537
IBNR		15	1,233	3,654	38,157			43,059
Total at 31 Dec 2015		213,670	90,541	881,952	170,433			1,356,596
Reported ceded claims		213,577	89,356	880,581	156,935	87,004		1,427,453
IBNR		15	1,251	2,966	7,245	45,504		56,981
Total at 31 Dec 2016		213,592	90,607	883,547	164,180	132,508		1,484,434
Reported ceded claims		215,246	84,482	880,791	156,190	96,581	115,906	1,549,196
IBNR		10	856	2,141	4,900	17,705	48,184	73,796
Total at 31 Dec 2017		215,256	85,338	882,932	161,090	114,286	164,090	1,622,992
Cumulative ultimate ceded claims		215,256	85,338	882,932	161,090	114,286	164,090	1,622,992
Cumulative ceded claims to 31 Dec 2017		215,246	84,482	880,791	156,190	96,581	115,906	1,549,196
Cumulative payments to 31 Dec 2017		(206,216)	(83,450)	(875,286)	(150,062)	(86,974)	(88,250)	(1,490,238)
Outstanding ceded claims at 31 Dec 2017		9,030	1,032	5,505	6,128	9,607	27,656	58,958
Ceded IBNR at 31 Dec 2017		10	856	2,141	4,900	17,705	48,184	73,796
Outstanding ceded claims and IBNR at 31 Dec 2017		9,040	1,888	7,646	11,028	27,312	75,840	132,754

Ceded claims and IBNR cumulatively developing from 31 Dec 2012	Cumulative Accident Years	2012 & Earlier	2013 & Earlier	2014 & Earlier	2015 & Earlier	2016 & Earlier	2017 & Earlier
At 31 Dec 2012	Cum Incurred	222,732					
	IBNR	8,100					
	Total	230,832					
At 31 Dec 2013	Cum Incurred	215,155	322,115				
	IBNR	586	15,885				
	Total	215,741	338,000				
At 31 Dec 2014	Cum Incurred	213,679	303,938	1,431,712			
	IBNR	679	1,264	179,008			
	Total	214,358	305,202	1,610,720			
At 31 Dec 2015	Cum Incurred	213,655	302,963	1,181,261	1,313,537		
	IBNR	15	1,248	4,902	43,059		
	Total	213,670	304,211	1,186,163	1,356,596		
At 31 Dec 2016	Cum Incurred	213,577	302,933	1,183,514	1,340,449	1,427,453	
	IBNR	15	1,266	4,232	11,477	56,981	
	Total	213,592	304,199	1,187,746	1,351,926	1,484,434	
At 31 Dec 2017	Cum Incurred	215,246	299,728	1,180,519	1,336,709	1,433,290	1,549,196
	IBNR	10	866	3,007	7,907	25,612	73,796
	Total	215,256	300,594	1,183,526	1,344,616	1,458,902	1,622,992
Initially Reserved including IBNR		230,832	338,000	1,610,720	1,356,596	1,484,434	1,622,992
Cumulative development excluding IBNR to 31 Dec 2017		215,246	299,728	1,180,519	1,336,709	1,433,290	1,549,196
Cumulative development including IBNR to 31 Dec 2017		215,256	300,594	1,183,526	1,344,616	1,458,902	1,622,992

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Net claims developing from 31 Dec 2012	Accident Years	2012 & Earlier	2013	2014	2015	2016	2017	Total
Reported net claims		448,120						448,120
IBNR		17,275						17,275
Total at 31 Dec 2012		465,395						465,395
Reported net claims		462,423	156,128					618,551
IBNR		6,100	19,298					25,398
Total at 31 Dec 2013		468,523	175,426					643,949
Reported net claims		466,284	174,392	173,031				813,707
IBNR		1,672	2,147	33,753				37,572
Total at 31 Dec 2014		467,956	176,539	206,784				851,279
Reported net claims		466,675	175,892	195,631	187,998			1,026,196
IBNR		18	817	3,654	59,679			64,168
Total at 31 Dec 2015		466,693	176,709	199,285	247,677			1,090,364
Reported net claims		468,616	176,797	197,697	218,194	188,154		1,249,458
IBNR		18	3,613	2,965	7,246	92,094		105,936
Total at 31 Dec 2016		468,634	180,410	200,662	225,440	280,248		1,355,394
Reported net claims		465,392	176,631	199,569	219,110	220,320	229,420	1,510,442
IBNR		23	3,361	2,864	4,973	29,183	65,683	106,087
Total at 31 Dec 2017		465,415	179,992	202,433	224,083	249,503	295,103	1,616,529
Cumulative ultimate net claims		465,415	179,992	202,433	224,083	249,503	295,103	1,616,529
Cumulative net claims to 31 Dec 2017		465,392	176,631	199,569	219,110	220,320	229,420	1,510,442
Cumulative payments to 31 Dec 2017		(462,709)	(175,005)	(197,585)	(217,256)	(216,196)	(195,918)	(1,464,669)
Outstanding net claims at 31 Dec 2017		2,683	1,626	1,984	1,854	4,124	33,502	45,773
Net IBNR at 31 Dec 2017		23	3,361	2,864	4,973	29,183	65,683	106,087
Outstanding net claims and IBNR at 31 Dec 2017		2,706	4,987	4,848	6,827	33,307	99,185	151,860

Net claims and IBNR cumulatively developing from 31 Dec 2012	Cumulative Accident Years	2012 & Earlier	2013 & Earlier	2014 & Earlier	2015 & Earlier	2016 & Earlier	2017 & Earlier
At 31 Dec 2012	Cum Incurred	448,120					
	IBNR	17,275					
	Total	465,395					
At 31 Dec 2013	Cum Incurred	462,423	618,551				
	IBNR	6,100	25,398				
	Total	468,523	643,949				
At 31 Dec 2014	Cum Incurred	466,284	640,676	813,707			
	IBNR	1,672	3,819	37,572			
	Total	467,956	644,495	851,279			
At 31 Dec 2015	Cum Incurred	466,675	642,567	838,198	1,026,196		
	IBNR	18	835	4,489	64,168		
	Total	466,693	643,402	842,687	1,090,364		
At 31 Dec 2016	Cum Incurred	468,616	645,413	843,110	1,061,304	1,249,458	
	IBNR	18	3,631	6,596	13,842	105,936	
	Total	468,634	649,044	849,706	1,075,146	1,355,394	
At 31 Dec 2017	Cum Incurred	465,392	642,023	841,592	1,060,702	1,281,022	1,510,442
	IBNR	23	3,384	6,248	11,221	40,404	106,087
	Total	465,415	645,407	847,840	1,071,923	1,321,426	1,616,529
Initially Reserved including IBNR		465,395	643,949	851,279	1,090,364	1,355,394	1,616,529
Cumulative development excluding IBNR to 31 Dec 2017		465,392	642,023	841,592	1,060,702	1,281,022	1,510,442
Cumulative development including IBNR to 31 Dec 2017		465,415	645,407	847,840	1,071,923	1,321,426	1,616,529

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

ALL AMOUNTS IN SAR '000

25. PROVISION FOR ZAKAT AND INCOME TAX

Zakat and income tax have been provided for in accordance with regulations currently in force in Saudi Arabia.

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

Zakat is calculated on Saudi shareholders' share of adjusted equity subject to a minimum base equal to the relevant share of adjusted net profit. Foreign shareholders are subject to income tax calculated on the relevant share of adjusted net profit.

	2018	2017
<u>Percentages applicable to zakat and income tax</u>		
Shareholding percentage subject to zakat	92%	92%
Shareholding percentage subject to income tax	8%	8%
<u>Movement on zakat account</u>		
Balance start of year	21,060	14,309
Provided	10,960	13,363
Paid	(5,509)	(6,612)
Balance end of year	26,511	21,060
<u>Movement on income tax account</u>		
Balance start of year	3,205	2,508
Provided	789	2,109
Paid	(2,025)	(1,412)
Balance end of year	1,969	3,205

Status of assessments

The Company has filed zakat and income tax returns for the period from incorporation to 31 December 2008 and for each of the years ended 31 December 2009 to 31 December 2017 and awaits the finalisation of assessments.

As per the SAMA Circular No. 381000074519 dated 11 April 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax ("SAMA Circular"), effective 01 January 2017, zakat and income tax are to be accrued through shareholders' equity under retained earnings.





**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018****ALL AMOUNTS IN SAR '000****26. SHARE CAPITAL**

All numbers in this note are stated in Saudi Riyal whole numbers and are not rounded to thousands.

The authorised, issued and fully paid share capital of the Company is SAR 300,000,000 (31 December 2017: SAR 200,000,000) consisting of 30,000,000 (31 December 2017: 20,000,000) shares each with a nominal value of 10 Saudi Riyals.

The Board of Directors resolved in their meeting held on 15 February 2018 to increase the share capital subject to receiving the required approvals of the relevant authorities and thereafter the approval of shareholders.

The resolution provided for a share capital increase from SAR 200,000,000 to SAR 300,000,000 by issuing one bonus share for every two shares held thereby increasing the number of shares in issue from 20,000,000 shares to 30,000,000 shares with the additional SAR 100,000,000 share capital generated by capitalising SAR 80,000,000 from retained earnings and SAR 20,000,000 from statutory reserve.

Approval was received from the Saudi Arabian Monetary Authority (SAMA) and the Capital Market Authority (CMA) on 01 March 2018 and 15 March 2018 respectively. Approval from shareholders was obtained in the extraordinary general assembly meeting held on 21 May 2018 and the bonus shares were issued on 22 May 2018.

The total transaction costs relating to the bonus share issue amounted to SAR 76,991.

The Commercial Registration Certificate was amended with effect from 24 July 2018 to reflect the increase in share capital following the bonus share issue.

The shareholders of the Company are subject to zakat and income tax.

27. STATUTORY RESERVE

All numbers in this note are stated in Saudi Riyal whole numbers and are not rounded to thousands.

In compliance with the Cooperative Insurance Law, the Implementing Regulations and the Articles, 20% of shareholders' net profit (as defined below) is transferred to statutory reserve at the end of each financial year until the statutory reserve amounts to 100% of the paid capital.

At 31 December 2018 Statutory Reserve represents 20% of shareholders' net profit (as defined below) earned from incorporation to 31 December 2018 (2017: 20% of shareholders' net profit earned from incorporation to 31 December 2017).

In calculating Statutory Reserve, shareholders' net profit is stated after deducting zakat and income tax charges and excludes unrealised investment gains.

The Statutory Reserve is not available for distribution but it may be converted to share capital in funding a bonus share issue.

The statutory reserve amount, calculated on the above basis, was reduced by SAR 20,000,000 on 22 May 2018 as a result of the issue of bonus shares on that date.

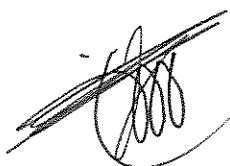
28. EARNINGS PER SHARE

Earnings per share is calculated by dividing shareholders' net profit (as defined below) by the weighted average number of issued shares during the year.

In calculating earnings per share, shareholders' net profit is stated before deducting zakat and income tax charges and excludes unrealised investment gains.

As there are no dilutive effects, basic and diluted earnings per share are the same.

Earnings per share is calculated based on the revised number of shares in issue following the bonus share issue on 22 May 2018 and prior comparatives have been restated accordingly.



29. CAPITAL MANAGEMENT

All numbers in this note are stated in Saudi Riyal whole numbers and are not rounded to thousands.

Objectives are set by the Company to optimise the structure and sources of capital and maintain healthy capital ratios to support its business objectives and consistently maximise returns to shareholders and policyholders.

The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Company is equity shareholders' funds. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

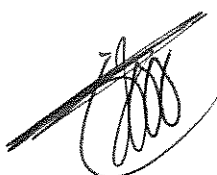
The Company manages its capital to ensure that it is able to continue as going concern and comply with the regulators' capital requirements of the markets in which the Company operates while maximizing the return to stakeholders. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital, statutory reserves, retained earnings and fair value reserve on investments.

The Implementing Regulations detail a minimum solvency margin requirement calculated as the highest of the following:

- Minimum net assets of SAR 100,000,000 – calculated after adjusting for admissibility factors
- Premium solvency margin calculation
- Claims solvency margin calculation

The Company is in compliance with all externally imposed capital requirements. The capital structure of the Company as shown in the statement of financial position at 31 December 2018 totals SAR 427,685,000 consisting of paid-up share capital SAR 300,000,000, statutory reserves SAR 33,082,000, retained earnings SAR 92,327,000 and fair value reserve on investments SAR 2,276,000 (2017: SAR 404,787,000 consisting of paid-up share capital SAR 200,000,000, statutory reserves SAR 48,573,000, retained earnings SAR 154,293,000 and fair value reserve on investments SAR 1,921,000).

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



30. RELATED PARTY TRANSACTIONS AND BALANCES

All numbers in this page are stated in Saudi Riyal whole numbers and are not rounded to thousands.

Definitions and explanations

Related parties represent shareholders, both individual and corporate, directors, members of the audit, executive, investment, risk and nomination and remuneration committees, the board secretary, key executives and entities controlled (including jointly controlled) or significantly influenced by such parties. The immediate families of the above are related parties.

Key Executives, in the context of defining Related Parties, for the year ended 31 December 2018 means the following five people (2017: five people) – the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the three other executives (2017: three other executives) who earned the highest remuneration.

All transactions with related parties are made on an arm's length basis and no conflicts or potential conflicts of interest were identified during the year ended 31 December 2018 (2017: None). Amounts due to related parties do not include amounts provided for outstanding claims under processing or IBNR. Balances due to or from related parties are unsecured, interest free and are settled in cash and no guarantees have been made or received in relation to any related party transaction or balance.

An impairment assessment is undertaken examining the financial position of and the market in which each related party operates. For the year ended 31 December 2018, the Company has not recorded any impairment of receivables relating to amounts due from related parties (2017: Nil).

Transactions with related parties are in respect of purchase of insurance portfolio and related business, investments, remuneration and annual insurance contracts.

Purchase from a related party of insurance portfolio and related business

The insurance portfolio and related business of Arabian Shield Insurance Company EC was acquired by the Company effective 01 January 2009 at a purchase consideration approved by SAMA resulting in a Goodwill amount of SAR 49,100,000.

The related assets and liabilities of Arabian Shield Insurance Company EC were also acquired at book value amounting to SAR 20,825,600 as per the audited Financial Statements of Arabian Shield Insurance Company EC at 31 December 2008.

The combined sum due to Arabian Shield Insurance Company EC in consideration for goodwill and net assets acquired amounted to SAR 69,925,600.

Based on criteria related to the Company's earnings up to 31 December 2015 the Goodwill amount was subsequently reduced by SAR 2,306,137 to SAR 46,793,863. This in turn resulted in a reduction in the combined sum due to Arabian Shield Insurance Company EC from SAR 69,925,600 to SAR 67,619,463 which has been fully paid with no further amounts owing.

Investment in a related party

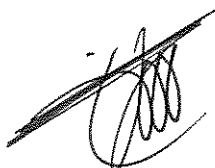
Investments at 31 December 2018 include an investment of SAR 3,000,000 (2017: SAR 3,000,000) in a Sukuk which generated an income in the year ended 31 December 2018 of SAR 125,929 (2017: SAR 98,040) issued by Almarai Company, an entity controlled or significantly influenced by a related party.

Remuneration of Board of Directors and Committee Members for year ended 31 December 2017

The full year provision for 2017 amounting to SAR 1,500,000 was determined and accrued at 31 December 2017 and approval to pay up to this amount was granted at the Annual General Assembly held on 21 May 2018 and SAR 1,500,000 was subsequently paid.

Remuneration of Board of Directors and Committee Members for year ended 31 December 2018

A provision amounting to SAR 1,200,000 was made in the Financial Statements for the year ended 31 December 2018 (2017: SAR 1,500,000) in respect of board fees, attendance fees and reimbursement of expenses for the board and for members of the audit, executive, investment, risk and nomination and remuneration committees. Approval to pay up to this amount shall be sought at the Annual General Assembly to be held in 2019.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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Salaries and Allowances of Key Executives and Board Secretary

Salaries and Allowances encompass all elements of compensation including provision for end-of-service benefit.

Salaries and Allowances	2018	2017
Provided and paid for key executives and board secretary	6,882	6,370

Transactions with and amounts due to and from related parties

Transactions with related parties	2018	2017
Gross written premiums from related parties		
Shareholders	341	432
Directors	0	15
Committees, board secretary and key executives	4	21
Entities controlled or significantly influenced	278,684	164,338
Ceded written premiums to related parties		
Entities controlled or significantly influenced	2,169	2,215
Commissions from related parties		
Entities controlled or significantly influenced	231	117
Commissions to related parties		
Entities controlled or significantly influenced	4	19
Gross claims incurred by related parties		
Shareholders	82	136
Directors	0	0
Committees, board secretary and key executives	24	0
Entities controlled or significantly influenced	152,158	106,729
Ceded claims incurred to related parties		
Entities controlled or significantly influenced	(304)	(20)

Amounts due to and from related parties	2018	2017
Amounts due from related parties		
Shareholders	0	0
Directors	0	0
Committees, board secretary and key executives	9	0
Entities controlled or significantly influenced	75,065	5,282
Provision	(11,400)	(1,000)
Total due from related parties, net	63,674	4,282
Amounts due to related parties		
Shareholders	0	0
Committees, board secretary and key executives	0	0
Entities controlled or significantly influenced	17,098	11,168
Total due to related parties	17,098	11,168





31. SEGMENT REPORTING

Segment reporting is not undertaken for shareholders' operations, assets and liabilities.

Insurance Operations – geographic segments:

The Company has since incorporation operated primarily in Saudi Arabia.

Insurance Operations – operating segments:

Operating segments are identified on the basis of internal reports concerning components of the Company that are regularly reviewed by the Company's Board of Directors in their function as chief operating decision maker in order to allocate resources to segments and assess performance.

Transactions between operating segments are on normal commercial terms and conditions.

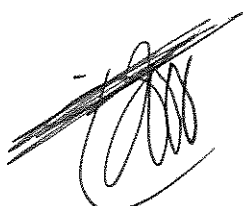
The revenue from external parties reported to the Board is measured in a manner consistent with that in the statement of income.

There have been no changes to the basis of segmentation or the measurement basis for segment profits or losses since 31 December 2017.

Unallocated assets not subject to segmentation are cash and cash equivalents, short term fixed income deposits, premiums and reinsurers' receivable – net, investments, due from related parties – net, prepaid expenses and other assets, long term fixed income deposits, property and equipment – net, intangible assets – net, goodwill, statutory deposits and accrued income on statutory deposits.

Unallocated liabilities not subject to segmentation are policyholders' claims payable, accrued and other liabilities, reinsurers' balances payable, due to related parties, accounts payable, withholding tax provision, regulators' levies provision, end-of-service indemnities, policyholders' surplus distribution payable, fair value gain / (loss) reserve on investments, zakat, income tax, dividend payable and accrued commission income payable to SAMA.

The unallocated assets and liabilities are not reported to chief operating decision maker under related segments and are monitored on a centralized basis.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

ALL AMOUNTS IN SAR '000

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at 31 December 2018 and 31 December 2017, its total revenues, expenses and net income for the years then ended, are as follows:

Operating segments as at 31 Dec 2018	Motor	Medical	Property & Casualty	Protection & Savings	Total Insurance Operations	Total Shareholders' Operations	Total
ASSETS							
Allocated assets:							
Reinsurers' share of unearned gross premiums	16,624	0	13,157	3,608	33,389	0	33,389
Reinsurers' share of outstanding gross claims	14,071	0	41,899	15,421	71,391	0	71,391
Reinsurers' share of gross claims incurred but not reported	62,500	0	11,173	8,075	81,748	0	81,748
Deferred policy acquisition costs	662	4,794	1,468	383	7,307	0	7,307
Deferred withholding tax	831	0	580	173	1,584	0	1,584
Deferred regulators' levies	139	2,599	73	18	2,829	0	2,829
Deferred excess of loss expenses	0	0	0	0	0	0	0
Total allocated assets	94,827	7,393	68,350	27,678	198,248	0	198,248
Unallocated assets:							
Cash and cash equivalents					253,385	177,181	430,566
Short term fixed income deposits					81,234	0	81,234
Premiums and reinsurers' receivable – net					78,587	0	78,587
Investments					0	198,901	198,901
Due from related parties – net					63,674	0	63,674
Prepaid expenses and other assets					34,212	3,121	37,333
Property and equipment – net					4,595	0	4,595
Intangible assets – net					7,557	0	7,557
Goodwill					0	46,794	46,794
Statutory deposit					0	30,000	30,000
Accrued income and statutory deposit					0	2,003	2,003
Total unallocated assets					523,244	458,000	981,244
TOTAL ASSETS					721,492	458,000	1,179,492
LIABILITIES							
Allocated liabilities:							
Reinsurers' balances payable	3,139	0	4,461	3,160	10,760	0	10,760
Unearned gross premiums	27,807	173,262	16,124	3,849	221,042	0	221,042
Unearned reinsurance commission	2,909	0	3,261	677	6,847	0	6,847
Outstanding gross claims	30,980	76,420	49,937	16,232	173,569	0	173,569
Gross claims incurred but not reported	125,000	45,550	15,230	8,500	194,280	0	194,280
Premium deficiency reserve	0	4,900	0	0	4,900	0	4,900
Other technical reserves	4,375	3,580	1,350	620	9,925	0	9,925
Total allocated liabilities	194,210	303,712	90,363	33,038	621,323	0	621,323
Unallocated liabilities:							
Accrued and other liabilities					46,321	2,486	48,807
Due to related parties					17,098	0	17,098
Accounts payable					8,701	0	8,701
Withholding tax provision					12,227	0	12,227
Regulators' levies provision					1,470	0	1,470
End-of-service indemnities					9,001	0	9,001
Policyholders' surplus distribution payable					2,697	0	2,697
Zakat					0	26,511	26,511
Income tax					0	1,969	1,969
Accrued commission income payable to SAMA					0	2,003	2,003
Total unallocated liabilities					97,515	32,969	130,484
TOTAL LIABILITIES					718,838	32,969	751,807

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

ALL AMOUNTS IN SAR '000

Operating segments as at 31 Dec 2017	Motor	Medical	Property & Casualty	Protection & Savings	Total Insurance Operations	Total Shareholders' Operations	Total
ASSETS							
Allocated assets:							
Reinsurers' share of unearned gross premiums	26,660	0	11,956	2,010	40,626	0	40,626
Reinsurers' share of outstanding gross claims	14,287	0	36,680	7,991	58,958	0	58,958
Reinsurers' share of gross claims incurred but not reported	62,500	0	10,096	1,200	73,796	0	73,796
Deferred policy acquisition costs	3,106	3,314	1,416	208	8,044	0	8,044
Deferred withholding tax	1,333	0	505	100	1,938	0	1,938
Deferred regulators' levies	275	1,256	63	11	1,605	0	1,605
Deferred excess of loss expenses	0	0	0	0	0	0	0
Total allocated assets	108,161	4,570	60,716	11,520	184,967	0	184,967
Unallocated assets:							
Cash and cash equivalents					377,418	172,538	549,956
Short term fixed income deposits					0	0	0
Premiums and reinsurers' receivable – net					38,052	0	38,052
Investments					0	140,728	140,728
Due from related parties – net					4,282	0	4,282
Prepaid expenses and other assets					8,080	1,086	9,166
Property and equipment – net					4,075	0	4,075
Intangible assets – net					2,501	0	2,501
Goodwill					0	46,794	46,794
Statutory deposit					0	20,000	20,000
Accrued income and statutory deposit					0	1,563	1,563
Total unallocated assets					434,408	382,709	817,117
TOTAL ASSETS					619,375	382,709	1,002,084
LIABILITIES							
Allocated liabilities:							
Reinsurers' balances payable	2,532	0	2,229	1,265	6,026	0	6,026
Unearned gross premiums	54,933	83,722	14,769	2,140	155,564	0	155,564
Unearned reinsurance commission	4,665	0	2,953	369	7,987	0	7,987
Outstanding gross claims	39,895	13,201	42,995	8,640	104,731	0	104,731
Gross claims incurred but not reported	125,000	40,000	13,623	1,260	179,883	0	179,883
Premium deficiency reserve	0	0	0	0	0	0	0
Other technical reserves	3,225	2,550	2,150	200	8,125	0	8,125
Total allocated liabilities	230,250	139,473	78,719	13,874	462,316	0	462,316
Unallocated liabilities:							
Accrued and other liabilities					49,244	2,805	52,049
Due to related parties					11,168	0	11,168
Accounts payable					11,949	0	11,949
Withholding tax provision					12,503	0	12,503
Regulators' levies provision					1,048	0	1,048
End-of-service indemnities					8,441	0	8,441
Policyholders' surplus distribution payable					11,995	0	11,995
Zakat					0	21,060	21,060
Income tax					0	3,205	3,205
Accrued commission income payable to SAMA					0	1,563	1,563
Total unallocated liabilities					106,348	28,633	134,981
TOTAL LIABILITIES					568,664	28,633	597,297





NOTES TO THE FINANCIAL STATEMENTS
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Operating segments for 2018	Motor	Medical	Property & Casualty	Protection & Savings	Insurance Operations
REVENUES					
Gross premiums written	83,055	407,344	79,600	55,102	625,101
Reinsurance premiums ceded – local	(8,405)	0	(6,878)	(2,208)	(17,491)
Reinsurance premiums ceded – foreign	(41,289)	0	(63,722)	(47,803)	(152,814)
Excess of loss expenses	(1,096)	0	(1,134)	0	(2,230)
Net premiums written	32,265	407,344	7,866	5,091	452,566
Change in unearned gross premiums	27,126	(89,539)	(1,356)	(1,709)	(65,478)
Change in reinsurers' share of unearned gross premiums	(10,036)	0	1,201	1,598	(7,237)
Net premiums earned	49,355	317,805	7,711	4,980	379,851
Reinsurance commissions	10,043	0	15,619	11,176	36,838
Other underwriting income	4,333	1,993	0	0	6,326
TOTAL REVENUES	63,731	319,798	23,330	16,156	423,015
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid	(71,348)	(187,114)	(10,254)	(35,881)	(304,597)
Expenses incurred related to claims	0	0	0	0	0
Reinsurers' share of gross claims paid	40,026	0	9,381	33,805	83,212
Net claims paid	(31,322)	(187,114)	(873)	(2,076)	(221,385)
Changes in outstanding gross claims	8,915	(63,219)	(6,942)	(7,592)	(68,838)
Changes in reinsurers' share of outstanding gross claims	(216)	0	5,219	7,430	12,433
Changes in gross IBNR	0	(5,550)	(1,607)	(7,240)	(14,397)
Changes in reinsurers' share of gross IBNR	0	0	1,077	6,875	7,952
Net claims incurred	(22,623)	(255,883)	(3,126)	(2,603)	(284,235)
Premium deficiency reserve	(0)	(4,900)	(0)	(0)	(4,900)
Other technical reserves	(4,375)	3,420	(225)	(620)	(1,800)
Policy acquisition costs	(4,101)	(9,567)	(2,801)	(6,032)	(22,501)
Withholding tax	(2,621)	(0)	(2,927)	(2,318)	(7,866)
Regulators' levies	(510)	(4,767)	(356)	(257)	(5,890)
Other underwriting expenses	(2,195)	(2,670)	(801)	(906)	(6,572)
TOTAL UNDERWRITING COSTS AND EXPENSES	(36,425)	(274,367)	(10,236)	(12,736)	(333,764)
NET UNDERWRITING INCOME / (LOSS)	27,306	45,431	13,094	3,420	89,251
OTHER OPERATING INCOME / (EXPENSES)					
(Allowance for) / Reversal of doubtful debts	(2,019)	(3,360)	(968)	(253)	(6,600)
General and administrative expenses	(18,139)	(30,179)	(8,698)	(2,272)	(59,288)
Depreciation and amortization	(1,048)	(1,744)	(503)	(131)	(3,426)
Commission income on deposits	2,150	3,577	1,032	269	7,028
Dividends investment income	0	0	0	0	0
Realized gain / (loss) on investments	0	0	0	0	0
TOTAL OTHER OPERATING INCOME / (EXPENSES)	(19,056)	(31,706)	(9,137)	(2,387)	(62,286)
NET SURPLUS / (DEFICIT) FROM INSURANCE OPERATIONS	8,250	13,725	3,957	1,033	26,965
Absorption of deficit by / transfer of surplus to Shareholders	(7,425)	(12,353)	(3,560)	(930)	(24,268)
NET RESULT FROM INSURANCE OPERATIONS AFTER ABSORPTION OF DEFICIT BY / TRANSFER OF SURPLUS TO SHAREHOLDERS	825	1,372	397	103	2,697

NOTES TO THE FINANCIAL STATEMENTS
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Operating segments for 2017	Motor	Medical	Property & Casualty	Protection & Savings	Insurance Operations
REVENUES					
Gross premiums written	165,101	296,480	81,607	49,890	593,078
Reinsurance premiums ceded – local	(103)	0	(11,451)	(76)	(11,630)
Reinsurance premiums ceded – foreign	(80,151)	0	(59,304)	(45,622)	(185,077)
Excess of loss expenses	(829)	0	(1,274)	0	(2,103)
Net premiums written	84,018	296,480	9,578	4,192	394,268
Change in unearned gross premiums	112,153	7,153	3,970	31	123,307
Change in reinsurers' share of unearned gross premiums	(53,140)	0	(3,360)	(21)	(56,521)
Net premiums earned	143,031	303,633	10,188	4,202	461,054
Reinsurance commissions	24,169	0	16,508	10,010	50,687
Other underwriting income	4,269	727	0	0	4,996
TOTAL REVENUES	171,469	304,360	26,696	14,212	516,737
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid	(167,285)	(159,690)	(15,259)	(27,015)	(369,249)
Expenses incurred related to claims	0	0	0	0	0
Reinsurers' share of gross claims paid	82,971	0	14,316	25,788	123,075
Net claims paid	(84,314)	(159,690)	(943)	(1,227)	(246,174)
Changes in outstanding gross claims	7,108	(15,079)	5,047	(7,929)	(10,853)
Changes in reinsurers' share of outstanding gross claims	(2,549)	0	(6,132)	7,350	(1,331)
Changes in gross IBNR	(25,000)	15,000	(5,816)	(1,150)	(16,966)
Changes in reinsurers' share of gross IBNR	12,500	0	3,225	1,090	16,815
Net claims incurred	(92,255)	(159,769)	(4,619)	(1,866)	(258,509)
Premium deficiency reserve	(0)	(0)	(0)	(0)	(0)
Other technical reserves	(0)	(0)	(0)	(0)	(0)
Policy acquisition costs	(18,353)	(11,221)	(3,417)	(4,646)	(37,637)
Withholding tax	(7,139)	(0)	(3,485)	(2,525)	(13,149)
Regulators' levies	(1,386)	(4,554)	(367)	(249)	(6,556)
Other underwriting expenses	(5,008)	(2,937)	(198)	(12)	(8,155)
TOTAL UNDERWRITING COSTS AND EXPENSES	(124,141)	(178,481)	(12,086)	(9,298)	(324,006)
NET UNDERWRITING (LOSS) / INCOME	47,328	125,879	14,610	4,914	192,731
OTHER OPERATING (EXPENSES) / INCOME					
(Allowance for) / Reversal of doubtful debts	(982)	(2,613)	(303)	(102)	(4,000)
General and administrative expenses	(17,053)	(45,355)	(5,263)	(1,771)	(69,442)
Depreciation and amortization	(1,542)	(4,101)	(477)	(160)	(6,280)
Commission income on deposits / sukuks	1,704	4,531	526	177	6,938
Dividends investment income	0	0	0	0	0
Realized gain / (loss) on investments	0	0	0	0	0
TOTAL OTHER OPERATING INCOME / (EXPENSES)	(17,873)	(47,538)	(5,517)	(1,856)	(72,784)
NET SURPLUS / (DEFICIT) FROM INSURANCE OPERATIONS	29,455	78,341	9,093	3,058	119,947
Absorption of deficit by / transfer of surplus to Shareholders	(26,510)	(70,507)	(8,183)	(2,752)	(107,952)
NET RESULT FROM INSURANCE OPERATIONS AFTER ABSORPTION OF DEFICIT BY / TRANSFER OF SURPLUS TO SHAREHOLDERS	2,945	7,834	910	306	11,995

32. RISK MANAGEMENT**Risk Governance**

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

Risk management structure

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

Board of Directors

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

Senior management

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

Risks faced by the Company

The Company is exposed to insurance, reinsurance, credit, currency, interest rate, liquidity, regulatory framework, geographical concentration, investment market price and other operational risks. The way these risks are mitigated are summarised below.

a) Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed the carrying amount of insurance liabilities. This could occur if the frequency, severity or absolute amounts of claims are more than expected.

Insurance risk is monitored regularly by the Company to establish if the levels are within the projected frequency bands.

The insurance risks arising from insurance contracts are concentrated in Saudi Arabia.

Insurance risk is influenced by the frequency, severity and absolute amounts of claims. Careful evaluation of risks through implementation of underwriting strategy, together with the use of reinsurance, reduce risk.

The Company underwrites mainly property, accident, motor, medical, marine and group protection and savings risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This diversification and short term nature mitigates risk.

Property and Accident

For property contracts the main risks are fire and business interruption.

These contracts are underwritten by reference to the replacement value of the properties, contents insured and profits of the underlying businesses. The cost of rebuilding properties, replacing contents and the time taken to restart operations following business interruptions are the main factors that influence the level of claims.

Motor

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

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

Medical

For medical contracts the main risks are medical expenses incurred for treatment and illness.

Marine

For marine contracts the main risks are loss or damage to craft and accidents resulting in total or partial loss of cargo.

Group Protection and Savings

The Company writes Group Life including Group Credit Life and PHI policies categorized as Group Protection and Savings notwithstanding the absence of savings elements.

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In group policies the main risks are mortality and morbidity of the insured compounded due to the concentration of lives. The Company engages in various levels of underwriting including declaration of health, medical questionnaire, reports from specialists and medical tests when required. Group size, the nature of activity carried out by the group, geographic mix and cultural background are all analysed.

The business is protected by extensive reinsurance cover with low retention which affords protection from adverse experience, single large losses, multiple claims and concentrations of risk.

Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the statement of financial position date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Qualitative judgements 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, economic conditions: as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. 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.

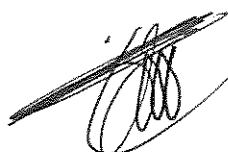
Process used to decide on assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral reasonable 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. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.



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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 at the statement of financial position 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.

Sensitivity Analysis

The amount of the provision for outstanding claims, net including IBNR is sensitive to the basis for making judgements and estimates as outlined in Note 4(b). The net underwriting result set out in the statement of insurance operations will be directly impacted by the amount that the provision for outstanding claims, net including IBNR is understated or overstated as a result of this process.

The impact on net income which would result from an increase or decrease of 5% in net incurred claims with all other assumptions held constant is shown below.

Net Incurred Claims Increase / Decrease	%	Impact on Net Income	
		2018	2017
Motor	+5%	(1,131)	(4,613)
Medical	+5%	(12,795)	(7,988)
Property and Casualty	+5%	(156)	(231)
Protection and Savings	+5%	(130)	(93)
Total		(14,212)	(12,925)
Motor	-5%	1,131	4,613
Medical	-5%	12,795	7,988
Property and Casualty	-5%	156	231
Protection and Savings	-5%	130	93
Total		14,212	12,925

b) Reinsurance risk

The Company effects reinsurance with other parties in the normal course of business in order to minimise its financial exposure to potential losses arising from large insurance claims. The reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts.

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

Reinsurers are selected using parameters such as minimum acceptable credit rating, reputation and past performance. Local companies who do not carry a formal credit rating are accepted to a limited degree provided they are registered with and approved by local Regulators.

Although the Company has reinsurance arrangements it is not relieved of its direct obligations to its policyholders in the event that a reinsurer failed to meet its obligations.

c) 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.

The maximum exposure of the Company to credit risk if a default was made by the counter party is equal to the carrying amount of these financial instruments.

The Company seeks to limit credit risk with respect to customers by constant monitoring of outstanding receivables.

The Company seeks to limit credit risk with respect to agents and brokers by, on a selective basis, setting credit limits, maintenance of cash deposits with the Company and monitoring of outstanding receivables.

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The Company seeks to limit credit risk with respect to bank time deposits by only dealing with reputable banks and by generally placing deposits for periods of not more than twelve months.

To minimise its exposure to significant losses from reinsurer insolvencies, the parties with whom reinsurance is effected are required to have a minimum acceptable security rating level affirming their financial strength.

The amounts due from reinsurers are contractually due within a maximum sixty days from end of quarter in which the payment is made for claims under treaty reinsurance and treaty retention excess of loss reinsurance and ninety days for claims under facultative reinsurance.

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

	2018	2017
Premiums and reinsurers' receivable – gross	85,287	48,552
Due from related parties	75,074	5,282
Reinsurers' share of outstanding gross claims	71,391	58,958
Total	231,752	112,792

d) Currency risk

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

The Company primarily transacts in Saudi Riyals and at any time balances held in other currencies are of immaterial amounts only and therefore the Company believes that there is minimal risk of significant losses due to exchange rate fluctuations.

e) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments.

Deposits are generally placed for periods not exceeding twelve months.

An increase or decrease of 1% in interest yields would impact profits by 4,838 (2017: 5,340).

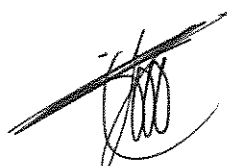
The commission and non-commission bearing deposits and investments of the Company and their maturities as at 31 December 2018 and 31 December 2017 are as follows:

	Less than 1 year	More than 1 year	Non-commission bearing	Total
Insurance Operations				
2018	308,096	0	0	308,096
2017	362,223	0	0	362,223
Shareholders' Operations				
2018	175,689	0	198,900	374,589
2017	171,789	0	140,728	312,517

f) Liquidity risk

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

Liquidity requirements are monitored on a monthly basis and the Company has ensured that sufficient liquid funds are available to meet any commitments as they arise.





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g) Regulatory framework risk

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

h) Geographical concentration of risks

The Company's insurance policies primarily relate to risks covered in Saudi Arabia.

i) Investment market price risks

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

The Company's investments amounting to 198,901 (2017: 140,728) are susceptible to market price risk arising from uncertainty about the future value of invested securities. The Company limits this nature of market risk by diversifying its invested portfolio and by actively monitoring the developments in markets.

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

	Fair value % change	Effect on Company's profit
31 December 2018	- 10%	(19,890)
31 December 2018	+10%	19,890
31 December 2017	- 10%	(14,073)
31 December 2017	+10%	14,073

The sensitivity analysis presented is based upon the portfolio position as at 31 December 2018 and 31 December 2017. Accordingly, the sensitivity analysis prepared is not necessarily indicative of the effect on the Company's assets of future movements in the value of investments held by the Company.

j) Other Operational Risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers and from external factors other than credit, market and liquidity risks (already noted above) such as those arising from legal and regulatory requirements and generally accepted standards of behavior.

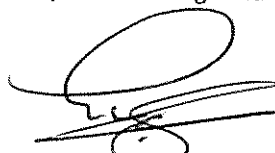
Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for investors and security for policyholders.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors who encompass controls in the following areas:

- Requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Ethical and business standards;
- Risk mitigation policies and procedures; and
- Requirements for the periodic assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified.

Senior Management ensures that the Company's staff has adequate training and experience and fosters effective communication related to operational risk management.


NOTES TO THE FINANCIAL STATEMENTS
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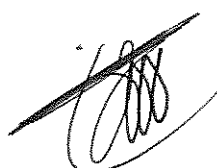
33. MATURITY PROFILE

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

The following assets and liabilities in the statement of financial position are excluded from the table below either because they are classified as non-financial assets or non-financial liabilities or because they are not represented by underlying contractual obligations – unearned gross premiums, reinsurers' share of unearned gross premiums, deferred costs, property, equipment and intangible assets, net, goodwill, unearned reinsurance commission, premium deficiency reserve, other technical reserves and policyholders' surplus distribution payable.

Items subject to notice are treated as if notice were given immediately.

	Up to one year	More than one year	Total
2018			
Financial Assets			
Cash and cash equivalents	430,566		430,566
Short term fixed income deposits	81,234		81,234
Premiums and reinsurers' receivable - net	78,587		78,587
Reinsurers' share of outstanding gross claims	71,391		71,391
Reinsurers' share of gross claims incurred but not reported	81,748		81,748
Investments	198,901		198,901
Due from related parties – net	63,674		63,674
Prepaid expenses and other assets	37,333		37,333
Statutory deposit	0	30,000	30,000
Accrued income on statutory deposit	0	2,003	2,003
Total	1,043,434	32,003	1,075,437
Financial Liabilities			
Accrued and other liabilities	48,807		48,807
Reinsurers' balances payable	10,760		10,760
Outstanding gross claims	173,569		173,569
Gross claims incurred but not reported	194,280		194,280
Due to related parties	17,098		17,098
Accounts payable	8,701		8,701
Withholding tax provision	12,227		12,227
Regulators' levies provision	1,470		1,470
End-of-service indemnities	0	9,001	9,001
Zakat	26,511		26,511
Income tax	1,969		1,969
Accrued commission income payable to SAMA	0	2,003	2,003
Total	495,392	11,004	506,396





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	Up to one year	More than one year	Total
2017			
Financial Assets			
Cash and cash equivalents	549,956		549,956
Short term fixed income deposits	0		0
Premiums and reinsurers' receivable – net	38,052		38,052
Reinsurers' share of outstanding gross claims	58,958		58,958
Reinsurers' share of gross claims incurred but not reported	73,796		73,796
Investments	140,728		140,728
Due from related parties – net	4,282		4,282
Prepaid expenses and other assets	9,166		9,166
Statutory deposit	0	20,000	20,000
Accrued income on statutory deposit	0	1,563	1,563
Total	874,938	21,563	896,501
Financial Liabilities			
Accrued and other liabilities	52,049		52,049
Reinsurers' balances payable	6,026		6,026
Outstanding gross claims	104,731		104,731
Gross claims incurred but not reported	179,883		179,883
Due to related parties	11,168		11,168
Accounts payable	11,949		11,949
Withholding tax provision	12,503		12,503
Regulators' levies provision	1,048		1,048
End-of-service indemnities	8,441		8,441
Zakat	21,060		21,060
Income tax	3,205		3,205
Accrued commission income payable to SAMA	0	1,563	1,563
Total	412,063	1,563	413,626





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34. COMMITMENTS AND CONTINGENCIES

At 31 December 2018 Letters of Guarantee were outstanding in favour of various beneficiaries as follows:

	2018	2017
Medical provider	1,000	250
Motor agents	0	500
Group medical insurance policy – Request for proposal	1,305	1,666
Capital commitments for systems software	1,429	0
Total	3,734	2,416

The Company is subject to legal proceedings in the ordinary course of business.

At 31 December 2018 there were no other commitments, contingencies or outstanding legal proceedings or disputes of a material nature.

35. MOTOR UNDERWRITING SUSPENSION

With effect from 08 January 2017 the Company was suspended by the Regulator from writing new motor policies pending the strengthening of some internal processes and systems. The Company carried out a review, implemented corrective actions, reported details of the work undertaken and the suspension was lifted with effect from 09 March 2017.

With effect from 20 August 2017 the Company was suspended by the Regulator from writing motor third party policies pending the strengthening of internal audit and compliance department functions. The Company carried out a review and submitted to the Regulator a detailed plan, approved by the Board of Directors to deal with the issues raised and the suspension was lifted with effect from 30 November 2017.

36. DIVIDENDS PAYABLE

All numbers in this note are stated in Saudi Riyal whole numbers and are not rounded to thousands.

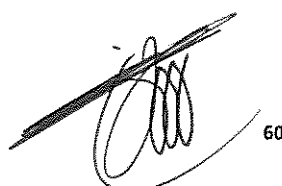
A dividend amounting to SAR 40,000,000 (SAR 2 per share) was approved at the Extraordinary General Assembly held on 30 March 2017 for payment to shareholders registered on that date. The dividend was paid on 16 April 2017. No dividend was approved or paid during 2018.

37. COMPARATIVE FIGURES

Certain prior year amounts or balances may have been reclassified to conform to the current year's presentation.

38. BOARD OF DIRECTORS' APPROVAL

The Financial Statements were approved by the Board of Directors on 13 February 2019.



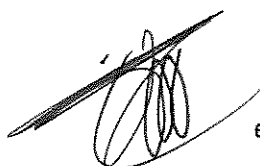


NOTES TO THE FINANCIAL STATEMENTS
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39. SUPPLEMENTARY INFORMATION

STATEMENTS OF FINANCIAL POSITION	2018			2017		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
ASSETS						
Cash and cash equivalents	253,385	177,181	430,566	377,418	172,538	549,956
Short term fixed income deposits	81,234	0	81,234	0	0	0
Premiums and reinsurers' receivable – net	78,587	0	78,587	38,052	0	38,052
Reinsurers' share of unearned gross premiums	33,389	0	33,389	40,626	0	40,626
Reinsurers' share of outstanding gross claims	71,391	0	71,391	58,958	0	58,958
Reinsurers' share of gross claims incurred but not reported	81,748	0	81,748	73,796	0	73,796
Deferred policy acquisition costs	7,307	0	7,307	8,044	0	8,044
Deferred withholding tax	1,584	0	1,584	1,938	0	1,938
Deferred regulators' levies	2,829	0	2,829	1,605	0	1,605
Deferred excess of loss expenses	0	0	0	0	0	0
Investments	0	198,901	198,901	0	140,728	140,728
Due from insurance operations	0	2,654	2,654	0	50,711	50,711
Due from related parties – net	63,674	0	63,674	4,282	0	4,282
Prepaid expenses and other assets	34,212	3,121	37,333	8,080	1,086	9,166
Property and equipment – net	4,595	0	4,595	4,075	0	4,075
Intangible assets – net	7,557	0	7,557	2,501	0	2,501
Goodwill	0	46,794	46,794	0	46,794	46,794
Statutory deposit	0	30,000	30,000	0	20,000	20,000
Accrued income on statutory deposit	0	2,003	2,003	0	1,563	1,563
TOTAL ASSETS	721,492	460,654	1,182,146	619,375	433,420	1,052,795

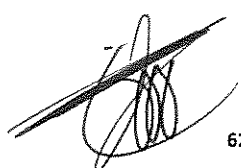




NOTES TO THE FINANCIAL STATEMENTS
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STATEMENTS OF FINANCIAL POSITION (Continued)	2018			2017		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
LIABILITIES						
Accrued and other liabilities	46,321	2,486	48,807	49,244	2,805	52,049
Reinsurers' balances payable	10,760	0	10,760	6,026	0	6,026
Unearned gross premiums	221,042	0	221,042	155,564	0	155,564
Unearned reinsurance commission	6,847	0	6,847	7,987	0	7,987
Outstanding gross claims	173,569	0	173,569	104,731	0	104,731
Gross claims incurred but not reported	194,280	0	194,280	179,883	0	179,883
Premium deficiency reserve	4,900	0	4,900	0	0	0
Other technical reserves	9,925	0	9,925	8,125	0	8,125
Due to shareholders' operations	2,654	0	2,654	50,711	0	50,711
Due to related parties	17,098	0	17,098	11,168	0	11,168
Accounts payable	8,701	0	8,701	11,949	0	11,949
Withholding tax provision	12,227	0	12,227	12,503	0	12,503
Regulators' levies provision	1,470	0	1,470	1,048	0	1,048
End-of-service indemnities	9,001	0	9,001	8,441	0	8,441
Policyholders' surplus distribution payable	2,697	0	2,697	11,995	0	11,995
Zakat	0	26,511	26,511	0	21,060	21,060
Income tax	0	1,969	1,969	0	3,205	3,205
Accrued commission income payable to SAMA	0	2,003	2,003	0	1,563	1,563
TOTAL LIABILITIES	721,492	32,969	754,461	619,375	28,633	648,008
SHAREHOLDERS' EQUITY						
Share capital	0	300,000	300,000	0	200,000	200,000
Statutory reserve	0	33,082	33,082	0	48,573	48,573
Retained earnings / (accumulated losses)	0	92,327	92,327	0	154,293	154,293
Fair value reserve gain / (loss) on investments	0	2,276	2,276	0	1,921	1,921
TOTAL EQUITY	0	427,685	427,685	0	404,787	404,787
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	721,492	460,654	1,182,146	619,375	433,420	1,052,795





NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

ALL AMOUNTS IN SAR '000

STATEMENTS OF INCOME	2018			2017		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
REVENUES						
Gross premiums written	625,101	0	625,101	593,078	0	593,078
Reinsurance premiums ceded – local	(17,491)	0	(17,491)	(11,630)	0	(11,630)
Reinsurance premiums ceded – foreign	(152,814)	0	(152,814)	(185,077)	0	(185,077)
Excess of loss expenses	(2,230)	0	(2,230)	(2,103)	0	(2,103)
Net premiums written	452,566	0	452,566	394,268	0	394,268
Change in unearned gross premiums	(65,478)	0	(65,478)	123,307	0	123,307
Change in reinsurers' share of unearned gross premiums	(7,237)	0	(7,237)	(56,521)	0	(56,521)
Net premiums earned	379,851	0	379,851	461,054	0	461,054
Reinsurance commissions	36,838	0	36,838	50,687	0	50,687
Other underwriting income	6,326	0	6,326	4,996	0	4,996
TOTAL REVENUES	423,015	0	423,015	516,737	0	516,737
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(304,597)	0	(304,597)	(369,249)	0	(369,249)
Expenses incurred related to claims	(0)	0	(0)	(0)	0	(0)
Reinsurers' share of gross claims paid	83,212	0	83,212	123,075	0	123,075
Net claims paid	(221,385)	0	(221,385)	(246,174)	0	(246,174)
Changes in outstanding gross claims	(68,838)	0	(68,838)	(10,853)	0	(10,853)
Changes in reinsurers' share of outstanding gross claims	12,433	0	12,433	(1,331)	0	(1,331)
Changes in gross IBNR	(14,397)	0	(14,397)	(16,966)	0	(16,966)
Changes in reinsurers' share of gross IBNR	7,952	0	7,952	16,815	0	16,815
Net claims incurred	(284,235)	0	(284,235)	(258,509)	0	(258,509)
Premium deficiency reserve	(4,900)	0	(4,900)	(0)	0	(0)
Other technical reserves	(1,800)	0	(1,800)	(0)	0	(0)
Policy acquisition costs	(22,501)	0	(22,501)	(37,637)	0	(37,637)
Withholding tax	(7,866)	0	(7,866)	(13,149)	0	(13,149)
Regulators' levies	(5,890)	0	(5,890)	(6,556)	0	(6,556)
Other underwriting expenses	(6,572)	0	(6,572)	(8,155)	0	(8,155)
TOTAL UNDERWRITING COSTS AND EXPENSES	(333,764)	0	(333,764)	(324,006)	0	(324,006)
NET UNDERWRITING INCOME / (LOSS)	89,251	0	89,251	192,731	0	192,731





NOTES TO THE FINANCIAL STATEMENTS
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STATEMENTS OF INCOME (Continued)	2018			2017		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
OTHER OPERATING INCOME / (EXPENSES)						
(Allowance for) / Reversal of doubtful debts	(6,600)	0	(6,600)	(4,000)	0	(4,000)
General and administrative expenses	(59,288)	(2,178)	(61,466)	(69,442)	(4,016)	(73,458)
Depreciation and amortization	(3,426)	0	(3,426)	(6,280)	0	(6,280)
Commission income on deposits	7,028	4,324	11,352	6,938	2,408	9,346
Dividend investment income	0	6,399	6,399	0	1,564	1,564
Realized gain / (loss) on investments	0	1,479	1,479	0	267	267
TOTAL OTHER OPERATING INCOME / (EXPENSES)	(62,286)	10,024	(52,262)	(72,784)	223	(72,561)
NET SURPLUS / (DEFICIT) FROM INSURANCE OPERATIONS	26,965	10,024	36,989	119,947	223	120,170
Absorption of deficit by / transfer of surplus to Shareholders	(24,268)	24,268	0	(107,952)	107,952	0
NET RESULT FROM INSURANCE OPERATIONS AFTER ABSORPTION OF DEFICIT BY / TRANSFER OF SURPLUS TO SHAREHOLDERS	2,697	34,292	36,989	11,995	108,175	120,170

Earnings per share (Expressed in SAR per share)

Basic and diluted earnings per share

1.14

3.61

STATEMENTS OF COMPREHENSIVE INCOME	2018			2017		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
Net surplus / (deficit) from insurance operations	2,697	34,292	36,989	11,995	108,175	120,170
Other comprehensive income / (loss)						
<i>Items that are or may be reclassified to statement of income in subsequent years</i>						
Available for sale investments:						
Net change in fair value	0	1,834	1,834	0	2,188	2,188
Net realised amounts transferred to statement of income	0	(1,479)	(1,479)	0	(267)	(267)
Net change in unrealised fair value	0	355	355	0	1,921	1,921
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	2,697	34,647	37,344	11,995	110,096	122,091

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

ALL AMOUNTS IN SAR '000

STATEMENTS OF CASH FLOWS	2018			2017		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Net profit / (loss) for the year	2,697	34,292	36,989	11,995	108,175	120,170
Adjustments for non-cash items:						
Depreciation of property and equipment	2,015	0	2,015	1,853	0	1,853
Amortization of intangible assets	1,411	0	1,411	4,426	0	4,426
(Gain) / loss on disposal of property and equipment	(36)	0	(36)	(41)	0	(41)
Allowance for / (Reversal of) doubtful debts	6,600	0	6,600	4,000	0	4,000
Provisions for withholding tax	7,512	0	7,512	10,359	0	10,359
Provisions for regulatory levies	7,114	0	7,114	5,871	0	5,871
Provision for end-of-service indemnities	2,891	0	2,891	3,679	0	3,679
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	(36,735)	0	(36,735)	(16,147)	0	(16,147)
Reinsurers' share of gross unearned premiums	7,237	0	7,237	56,521	0	56,521
Reinsurers' share of outstanding gross claims	(12,433)	0	(12,433)	1,331	0	1,331
Reinsurers' share of gross claims incurred but not reported	(7,952)	0	(7,952)	(16,815)	0	(16,815)
Deferred policy acquisition costs	737	0	737	10,579	0	10,579
Deferred withholding tax	354	0	354	2,790	0	2,790
Deferred regulators' levies	(1,224)	0	(1,224)	685	0	685
Deferred excess of loss expenses	0	0	0	0	0	0
Due from related parties	(69,792)	0	(69,792)	(2,575)	0	(2,575)
Prepaid expenses and other assets	(26,132)	(2,035)	(28,167)	(354)	(114)	(468)
Accounts payable	(6,346)	0	(6,346)	(1,450)	0	(1,450)
Policy acquisition cost payable	3,098	0	3,098	332	0	332
Accrued and other liabilities	(2,923)	(319)	(3,242)	16,285	1,085	17,370
Reinsurers' balances payable	4,734	0	4,734	(11,493)	0	(11,493)
Unearned gross premiums	65,478	0	65,478	(123,307)	0	(123,307)
Unearned reinsurance commission	(1,140)	0	(1,140)	(10,868)	0	(10,868)
Outstanding gross claims	68,838	0	68,838	10,853	0	10,853
Gross claims incurred but not reported	14,397	0	14,397	16,966	0	16,966
Premium deficiency reserve	4,900	0	4,900	0	0	0
Other technical reserves	1,800	0	1,800	0	0	0
Due to shareholders' operations	(48,057)	48,057	0	9,966	(9,966)	0
Due to related parties	5,930	0	5,930	779	0	779
Payments:						
End-of-service indemnities paid	(2,331)	0	(2,331)	(1,836)	0	(1,836)
Withholding tax paid	(7,788)	0	(7,788)	(11,507)	0	(11,507)
Regulators' levies paid	(6,692)	0	(6,692)	(6,402)	0	(6,402)
Surplus paid to policyholders	(11,995)	0	(11,995)	(11,231)	0	(11,231)
Zakat paid	0	(5,509)	(5,509)	0	(6,612)	(6,612)
Income tax paid	0	(2,025)	(2,025)	0	(1,412)	(1,412)
Net cash generated from / (used in) operating activities	(33,833)	72,461	38,628	(44,756)	91,156	46,400





NOTES TO THE FINANCIAL STATEMENTS
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STATEMENTS OF CASH FLOWS (Continued)	2018			2017		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions of investments	0	(190,005)	(190,005)	0	(47,795)	(47,795)
Proceeds from disposal of investments	0	133,666	133,666	0	10,020	10,020
Realised gain on disposal of investments	0	(1,479)	(1,479)	0	(267)	(267)
Additions of short term fixed income deposits	(81,234)	0	(81,234)	0	0	0
Additions of property and equipment	(2,551)	0	(2,551)	(2,820)	0	(2,820)
Proceeds from disposal of property and equipment	52	0	52	44	0	44
Additions of intangible assets	(6,467)	0	(6,467)	(2,488)	0	(2,488)
Proceeds from disposal of intangible assets	0	0	0	0	0	0
Increase in statutory deposit	0	(10,000)	(10,000)	0	0	0
Net cash generated from / (used in) investing activities	(90,200)	(67,818)	(158,018)	(5,264)	(38,042)	(43,306)
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividend paid	0	0	0	0	(40,000)	(40,000)
Net cash generated from / (used in) financing activities	0	0	0	0	(40,000)	(40,000)
Net change in cash and cash equivalents	(124,033)	4,643	(119,390)	(50,020)	13,114	(36,906)
Cash and cash equivalents at start of year	377,418	172,538	549,956	427,438	159,424	586,862
Cash and cash equivalents at end of year	253,385	177,181	430,566	377,418	172,538	549,956
NON-CASH INFORMATION						
Change in fair value of investments	0	355	355	0	1,921	1,921
Bonus shares issued	0	100,000	100,000	0	0	0



