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

FINANCIAL STATEMENTS
TOGETHER WITH THE
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2018

PKF Audit · Consultants · Zakat & Tax

Al-Bassam & Co.
Allied Accountants
(Member firm of PKF International)

Aldar Audit Bureau
Abdullah Al-Basri & Co
Member firm of Grant Thornton International Ltd

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

Opinion

We have audited the financial statements of Metlife, American International Group and Arab National Bank Cooperative Insurance Company, (A Saudi Joint Stock Company) (the "Company"), which comprise of statement of financial position as at 31 December 2018 and statement of income, statement of comprehensive income, statement of changes in shareholders' equity and statements 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.

EMPHASIS OF MATTERS

We draw attention to Note 2 to the financial statements, which indicates that:

- on 26 March 2018, the Company announced on Tadawul that as of 28 February 2018, its accumulated losses exceeded its share capital by 51.62%. Further, on 18 April 2018, in an Extraordinary General Assembly Meeting, it was resolved to reduce the Company's share capital by 48.57% from SR 350 million to SR 180 million. Accordingly, the Company absorbed SR 170 million of accumulated losses against its share capital of 17 million shares. Subsequent to the reduction, the accumulated losses represent 14.7% of the Company's share capital as of 31 December 2018; and

- during the year, the Company received a final warning letter from SAMA which highlighted various internal controls and risk management deficiencies among other things. However, to resolve all the deficiencies, Company developed an action plan and as of 31 December 2018, majority of the issues are already addressed and the remaining are expected to be resolved within due course.

As stated in note 2 to the financial statements, these events and conditions, along with other matters as set forth in note 2 to the financial statements, indicate a material uncertainty on the Company's ability to continue as a going concern. However, Company's management has made an assessment of its ability to continue as a going concern and is satisfied that the Company's operations shall continue for the foreseeable future under normal course of business. Accordingly, our conclusion is not modified in respect of the above matters.

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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 each matter below, a description of how our audit addressed the matter provided in that context:

Key audit matter	How our audit addressed the 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 77.634 million as reported in Note 11.1 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 accounting policies for claims and related judgments and estimates are disclosed in notes 4 to the financial statements respectively. Liabilities for outstanding claims including IBNR, claims incurred have been disclosed in note 11.1 to the financial statements. Segment wise disclosure of claim related liabilities and expense have been given in note 17 to the financial statements.*	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 actuarial 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.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF METLIFE, AMERICAN INTERNATIONAL GROUP AND ARAB NATIONAL BANK COOPERATIVE INSURANCE COMPANY
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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 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
TO THE SHAREHOLDERS OF METLIFE, AMERICAN INTERNATIONAL GROUP AND ARAB NATIONAL BANK COOPERATIVE INSURANCE COMPANY
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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 control;

- obtain an understanding of internal control 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 control;

- 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; and

- 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 control that we identify during our audit.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF METLIFE, AMERICAN INTERNATIONAL GROUP AND ARAB NATIONAL BANK COOPERATIVE INSURANCE COMPANY
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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.

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27 March 2019
20 Rajab 1440

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

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	Notes	SAR '000 December 31, 2018	SAR '000 December 31, 2017
ASSETS			
Cash and cash equivalents	5	**56,305**	59,021
Short term deposits	6	**35,139**	107,051
Premiums and re- insurance balances receivable	7	**19,253**	66,078
Re insurance share of unearned premiums	11.2	**22,417**	16,028
Re insurance share of outstanding claims	11.1	**19,457**	21,496
Re-insurers' share of claims incurred but not reported	11.1	**24,042**	23,682
Re-insurance share of mathematical reserves		**176,787**	214,579
Deferred policy acquisition costs	11.3	**2,584**	11,438
Investments	10	**17,653**	52,704
Due from related parties	18	**133**	419
Prepaid expenses and other assets	15	**10,693**	21,810
Long term deposits	6	**89,000**	89,000
Property and equipment	8	**2,158**	3,107
Intangible assets	8	**763**	630
Statutory deposit	9	**35,000**	35,000
Accrued commission on statutory deposit	9	**1,935**	1,284
TOTAL ASSETS		**513,319**	723,327
LIABILITIES			
Policyholder claims payable		**5,148**	8,559
Payable, accruals and other liabilities	13	**15,528**	22,098
Re-insurance balances payable		**36,084**	34,109
Gross unearned premiums	11.2	**35,861**	128,277
Unearned reinsurance commission income	11.4	**3,928**	3,699
Gross outstanding claims	11.1	**27,605**	34,814
Gross claims incurred but not reported	11.1	**50,029**	81,981
Gross mathematical reserves		**176,787**	214,579
Premium deficiency reserves		**-**	9,945
Due to related parties	18	**56**	298
Provision for zakat and income tax	19	**2,593**	2,024
End of service indemnities	14	**3,898**	3,881
Accrued commission payable to SAMA	9	**1,935**	1,284
TOTAL LIABILITIES		**359,452**	545,548
EQUITY			
Share capital	20	**180,000**	350,000
Accumulated deficit		**(26,382)**	(172,221)
Remeasurement reserve for end of service indemnities	14	**375**	-
Fair value reserve - Available for sale investments	10	**(126)**	-
TOTAL EQUITY		**153,867**	177,779
TOTAL LIABILITIES AND EQUITY		**513,319**	723,327
COMMITMENTS AND CONTINGENCIES	12		

The accompanying notes 1 to 27 form an integral part of these financial statements.

Chairman of the Board of Directors

Chief Executive Officer

Chief Financial Officer

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

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018

		SAR '000	
	Notes	December 31, 2018	December 31, 2017
REVENUES			
Gross written premiums	11.2	**168,803**	354,880
Re-insurance premiums ceded - foreign	11.2	**(70,214)**	(64,936)
Excess of loss expenses - foreign	11.2	**(948)**	(1,154)
Net written premiums	11.2	**97,641**	288,790
Changes in unearned premiums, net		**98,805**	(44,010)
Net earned premiums		**196,446**	244,780
Re-insurance commissions	11.4	**11,804**	13,409
Other underwriting income		**3,947**	5,623
TOTAL REVENUES		**212,197**	263,812
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		**(220,514)**	(209,298)
Surrenders and maturities		**(36,138)**	(30,258)
Expenses incurred related to claims		**(5,657)**	(6,774)
Re-insurance share of claims paid	11.1	**50,446**	41,560
Net claims and other benefits paid		**(211,863)**	(204,770)
Changes in outstanding claims, net		**5,170**	11,737
Changes in incurred but not reported claims, net		**32,312**	(36,046)
Net claims and other benefits incurred		**(174,381)**	(229,079)
Change in premium deficiency reserve		**9,945**	(9,945)
Policy acquisition costs	11.3	**(20,987)**	(28,869)
Inspection and supervisory fees		**(3,011)**	(3,644)
Other underwriting expenses		**(937)**	(2,067)
TOTAL UNDERWRITING COSTS AND EXPENSES		**(189,371)**	(273,604)
NET UNDERWRITING INCOME/ (LOSS)		**22,826**	(9,792)
OTHER OPERATING (EXPENSES)/ INCOME			
Reversal / (Allowance) for doubtful debts	7	**746**	(6,323)
General and administrative expenses	21	**(53,359)**	(49,203)
Amortization of discount / premium on investments		**75**	72
Special commission income on deposits		**7,410**	7,440
TOTAL OTHER OPERATING EXPENSES		**(45,128)**	(48,014)
Net loss for the year		**(22,302)**	(57,806)
Net loss for the year attributable to insurance operations		**-**	-
Net loss for the year attributable to the shareholders operations		**(22,302)**	(57,806)
Loss per share (expressed in SAR per share)			(Restated)
Basic loss per share	23	**(1.24)**	(3.21)

The accompanying notes 1 to 27 form an integral part of these financial statements.

Chairman of the Board of Directors	Chief Executive Officer	Chief Financial Officer

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018

		SAR '000	
	Notes	**December 31, 2018**	December 31, 2017
Net loss for the year		**(22,302)**	(57,806)
Other comprehensive (loss) / income			
Items that will be reclassified to statement of income in subsequent years			
- Net fair value changes- Available for sale investments	10	**(126)**	-
Items that will not be reclassified to statement of income in subsequent years			
- Remeasurement of end of service indemnities	14	**375**	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(22,053)**	(57,806)
Total comprehensive income attributed to insurance operations		**(375)**	-
Total comprehensive loss for the year attributable to the shareholders		**(22,428)**	(57,806)

The accompanying notes 1 to 27 form an integral part of these financial statements.

Chairman of the Board of Directors

Chief Executive Officer

Chief Financial Officer

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018
(SAR in '000')

	Notes	Share capital	Accumulated deficit	Remeasurement reserve for end of service indemnities	Fair value reserve - Available for sale investments	Total
Balance as at January 1, 2018	20	**350,000**	**(172,221)**	-	-	**177,779**
Total comprehensive loss:						
Net loss for the year		-	**(22,302)**	-	-	**(22,302)**
-Capital reduction	20	**(170,000)**	**170,000**	-	-	-
-Transaction cost on capital reduction	20	-	**(210)**	-	-	**(210)**
-Net fair value changes- Available for sale investments	10	-	-	-	**(126)**	**(126)**
-Remeasurement of end of service indemnities	14	-	-	**375**	-	**375**
		180,000	**(24,733)**	**375**	**(126)**	**155,516**
Provision for zakat and income tax	19	-	**(1,649)**	-	-	**(1,649)**
Balance as at December 31, 2018		**180,000**	**(26,382)**	**375**	**(126)**	**153,867**

	Share capital	Accumulated deficit	Remeasurement reserve for end of service indemnities	Fair value reserve -Available for sale investments	Total
Balance as at January 1, 2017	350,000	(112,915)		-	237,085
Total comprehensive loss:					
Net loss for the year	-	(57,806)	-	-	(57,806)
-Net fair value changes- Available for sale investments	-	-	-	-	-
-Remeasurement of end of service indemnities	-	-	-	-	-
	350,000	(170,721)	-	-	179,279
Provision for zakat and income tax	-	(1,500)		-	(1,500)
Balance as at December 31, 2017	350,000	(172,221)	-	-	177,779

The accompanying notes 1 to 27 form an integral part of these financial statements.

Chairman of the Board of Directors

Chief Executive Officer

Chief Financial Officer

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Notes	SAR '000 December 31, 2018	SAR '000 December 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year		**(22,302)**	(57,806)
Adjustments for non-cash items:			
Depreciation of property and equipment	8	**1,122**	1,641
Amortization of intangible assets	8	**268**	314
Provision for doubtful debts	7	**(746)**	6,323
Amortization of discount / premium on held to maturity	10.2	**(75)**	(72)
(Gain)/loss on disposal of property and equipment		**-**	7
Provision for end of service indemnities	14.3	**670**	2,397
		(21,063)	(47,196)
Changes in operating assets and liabilities:			
Premiums and reinsurers' balances receivable		**47,571**	(17,760)
Reinsurers' share of unearned premiums		**(6,389)**	12,564
Reinsurers' share of mathematical reserves		**37,792**	20,263
Reinsurers' share of outstanding claims		**2,039**	(3,853)
Reinsurers' share of claims Incurred but not reported		**(360)**	(7,521)
Deferred policy acquisition costs		**8,854**	(2,354)
Due from related parties		**286**	1,327
Prepaid expenses and other assets		**11,117**	14,202
Policyholders claims payable		**(3,411)**	1,514
Payables, accruals and others		**(6,570)**	6,495
Reinsurance balances payable		**1,975**	13,816
Gross unearned premiums		**(92,416)**	31,446
Unearned reinsurance commission income		**229**	(1,253)
Gross outstanding claims		**(7,209)**	(7,884)
Gross claims incurred but not reported		**(31,952)**	43,567
Premium deficiency reserve		**(9,945)**	9,945
Gross mathematical reserves		**(37,792)**	(20,263)
Due to related parties		**(242)**	(2,318)
Net cash (used in) / generated from operating activities		**(107,486)**	44,737
Zakat and income tax paid	19	**(1,080)**	-
End of service indemnities paid	14.3	**(278)**	(530)
Net cash (used in) / generated from operating activities		**(108,844)**	44,207
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposals in short term deposits		**107,051**	64,000
Additions in short term deposits		**(35,139)**	(107,051)
Disposals in investments- Available for sale		**35,000**	-
Additions in long term deposits		**(29,000)**	(89,000)
Disposals in long term deposits		**29,000**	-
Purchase of property and equipment	8	**(173)**	(1,461)
Purchase of intangible assets	8	**(401)**	(461)
Net cash from / (used in) investing activities		**106,338**	(133,973)
CASH FLOWS FROM FINANCING ACTIVITIES			
Transaction costs on issue of share capital	20	**(210)**	-
Net cash (used in) financing activities		**(210)**	-
Net change in cash and cash equivalents		**(2,716)**	(89,766)
Cash and cash equivalents, beginning of the year		**59,021**	148,787
Cash and cash equivalents, end of the year	5	**56,305**	59,021
NON-CASH INFORMATION			
Remeasurement of end of service indemnities		**375**	-
Unrealized gain / (loss) on available for sale investments		**(126)**	-
Capital reduction		**(170,000)**	-

The accompanying notes 1 to 27 form an integral part of these financial statements.

Chairman of the Board of Directors

Chief Executive Officer

Chief Financial Officer

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

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

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

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

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

On February 26, 2014, corresponding to Rabi al Akhar 26, 1424, the Saudi Arabian Monetary Authority ("SAMA"), as the principal authority responsible for the application and administration of the Insurance Law and its Implementing Regulations, granted the Company a license to transact insurance activities in the Kingdom of Saudi Arabia. On April 20, 2004, corresponding to Rabi' al-awwal 1, 1425, the Law on the Supervision of Cooperative Insurance Companies ("Insurance Law") was promulgated by Royal Decree Number (M/32).

The Company received the approval letters from the Saudi Arabian Monetary Agency and Ministry of Commerce and Investment regarding the amendment of the Company's by-laws to be in accordance with the new companies' regulations.

Based on the above, the Company's extraordinary general assembly was held on 12 April 2017 corresponding to 15 Rajab 1438 and accordingly the new by-laws was approved.

1.1 METLIFE ALICO PORTFOLIO TRANSFER

The Company entered into an agreement with MetLife ALICO (30% shareholder) by which MetLife ALICO transferred its existing Saudi run-off portfolio to the Company effective 01 April 2015. This portfolio includes long-term life Protection and Savings insurance products and Personal Accident policies. The Company reinsures back to MetLife ALICO 100% of this portfolio under a quota-share reinsurance agreement. Accordingly, the Company has become the owner of the transferred policies and MetLife ALICO has become the reinsurer of this block of business. The transfer of the portfolio was made at book value with no cash payment. Accordingly, the liabilities related to this portfolio were recorded in the Company's books at book value with offsetting assets representing the reinsurance share of these liabilities. MetLife ALICO paid to the Company a reinsurance commission amounting to SR 2,001 thousand for the year ended 31 December 2018 (SR 2,369 thousand for the year ended 31 December 2017) to compensate the cost of capital for this portfolio in addition to reimbursing the Company for all expenses related to the administration of this portfolio by paying an administration fee amounting to SR 1,453 thousand for the year ended 31 December 2018 (SR 1,476 thousand for the year ended 31 December 2017) which is recorded under "Other underwriting income".

Assets and liabilities of the transferred portfolio as at 31 December 2018 are shown as below:

	SAR '000'			SAR '000'	
Assets	**31 December 2018**	31 December 2017	**Liabilities**	**31 December 2018**	31 December 2017
Cash and Cash equivalents	**3,835**	1,661	Gross unearned premiums	**53**	228
Re-insurers' share of unearned premiums	**53**	228	Gross outstanding claims	**8,641**	11,088
Re-insurers' share of mathematical reserves	**176,787**	214,579	Gross mathematical reserves	**176,787**	214,579
Re-insurers' share of outstanding claims	**8,641**	11,088	Due to shareholders operations	**2,627**	4,160
Re-insurers' balances receivable	**180**	1,538	Payable and other liabilities	**2,003**	195
Receivable & other assets	**615**	1,156			
Total	**190,111**	230,250		**190,111**	230,250

1 ORGANIZATION AND PRINCIPAL ACTIVITIES (Continued)

1.2 MANAFETH AGREEMENT WITH TAWUNIYA

The Company participated in the Manafeth agreement among Tawuniya and the majority of the insurance companies in Saudi Arabia effective 01 January 2015 for co-insuring cars entering into Saudi Arabia from all Saudi borders (except the border with Al-Bahrain). Based on this agreement, all insurance companies participating in this coverage will have an equal share of the net result of this portfolio after allowing for all expenses related to managing this portfolio by Tawuniya. This agreement is set to continue for a period of three years expiring on 31 December 2017 and has been subsequently renewed for a year from 1 January 2018 to 31 December 2018 with other related insurance companies. The income related to this portfolio is included in the statement of income under "Other underwriting income" and is allocated to motor insurance in the segment reporting (Note 17).

2 BASIS OF PREPARATION

a) Basis of presentation and measurement

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax, which requires, adoption of all IFRSs 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"), the zakat and income tax are to be accrued on a quarterly basis through shareholders' equity under retained earnings.

The financial statements are prepared under the going concern (Note 2b) basis and the historical cost convention, except for the measurement at fair value of available for sale investments and end of service benefits. The Company's statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, short term deposits, premiums and reinsurance balances receivable, reinsurance share of unearned premiums, reinsurance share of outstanding claims, reinsurance share of claims incurred but not reported, deferred policy acquisition costs, due from related parties, prepaid expenses and other assets, policyholders claims payable, accrued and other liabilities, reinsurers' balances payable, unearned premiums, premium deficiency reserve, outstanding claims, claims incurred but not reported, unearned reinsurance commission, due to related parties and zakat. The following balances would generally be classified as non-current: long term deposits, mathematical reserves, investments, statutory deposit, intangible assets, property and equipment and end of service indemnities.

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

Shareholder's	90%
Policyholder's	10%
	100%

2 BASIS OF PREPARATION

a) Basis of presentation and measurement (continued)

The statement of financial position, statements of income, statement of comprehensive income and cash flows of the insurance operations and shareholders operations which are presented on Note No. 25 of the financial statements have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the statement of financial position, statement of income, statement of comprehensive income and statement of cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

In preparing the Company-level financial statements in compliance with IFRSs, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders’ operations. interoperation balances, transactions and unrealised gains or losses, if any are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholders operations are uniform for like transactions and events in similar circumstances.

The inclusion of separate information of the insurance operations with the financial information of the Company in the statement of financial position, statement of income, statement of comprehensive income, statement of cash flows as well as certain relevant notes to the financial statements represents additional supplementary information.

The financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousands.

2 BASIS OF PREPARATION

a) Basis of presentation and measurement (continued)

b) Going Concern

As on 26 March 2018, the Company announced on Tadawul that as of 28 February 2018, its accumulated losses exceeded its share capital by 51.62%. Further, on 18 April 2018, in an Extraordinary General Assembly Meeting, it was resolved to reduce the Company's share capital by 48.57% from SR 350 million to SR 180 million. Accordingly, the Company absorbed SR 170 million of its accumulated losses against its share capital of 17 million shares (Note 20). Subsequent to the reduction, the accumulated losses represent 14.667 % of the Company's share capital as of 31 December 2018.

On 29 March 2018, Company received a final warning letter from SAMA indicating issues related to delays in medical claims, ineffective risk assessment and weaknesses in internal control environment among other things. Further, SAMA instructed the Company to hire an independent consultant within maximum 15 working days to perform a detailed review over the weaknesses and observations identified and to submit final report to SAMA within 60 working days from the date of the original warning letter. In case the Company failed to meet the deadlines, SAMA would take necessary regulatory measure against the Company in accordance with article (19) of the Cooperative Insurance Law, which includes forbidding the Company from accepting new clients, investors or subscribers in its insurance activities or part of these activities.

The above events created uncertainty on the Company's ability to continue as a going concern. However, Company has taken necessary actions to comply with SAMA's warning letter and has received the report from the consultant. Based on the report, the Company developed an action plan and submitted to SAMA on 28 June 2018. Subsequent to the submission, SAMA requested a progress update on the action plan which was furnished by the management on 13 September 2018. The Company has addressed and completed during 2018 most of the points highlighted by the independent consultant covering areas of technical, operations, IT systems controls and overall governance including the activities related to compliance, risk management, internal audit and Board and Board's Committees oversight.

Further, the Company's appointed actuary prepared a mid-year review report as part of regulatory requirements based on updated business plan of the Company and submitted to SAMA on 15 October, 2018, which reflected the Company's ability to continue as a going concern at least for the next twelve months from the current reporting date. In addition, the Board of Directors is considering various strategic options for the Company over the long term, to ensure going concern status.

Based on the above, the Company's management has made an assessment of its ability to continue as a going concern and is satisfied that the Company's operations shall continue for the foreseeable future under normal course of business. Accordingly, the financial statements have been prepared on the going concern basis and do not include any adjustments, which may be required, if the Company is not able to continue as a going concern.

c) Fiscal year

The Company follows a fiscal year ending December 31.

d) 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 and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates

In preparing this financial statements, the significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied to the annual financial statements as at and for the year ended 31 December, 2017.

3 STANDARDS AND AMENDMENTS ISSUED

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

The Company has adopted the following amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB), and have no impact.

Standard/ Interpretation	Description	Effective date
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 2	Amendments to IFRS 2 Classification and Measurement of share-based Payment transactions.	1 January 2018
IAS 40	Amendments to IAS 40 Transfers of investment property.	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance consideration	1 January 2018
IFRS 1 and IAS 28	Annual Improvements 2016 to IFRS 2014- 2016 cycle.	1 January 2018

Standards issued but not yet effective

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 measurements requirements for financial assets, 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 assets 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 assets. The standard retains most of IAS 39's requirements for financial liabilities except for those designated at fair value through profit or loss 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.

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 introduce two options for insurers: the deferral approach and the 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 2021.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 and have chosen to apply the deferral approach under the amendments to IFRS 4. The impact of the adoption of IFRS 9 on the Company's financial information will, to a large extent, have to take into account the interaction with the forthcoming insurance contracts standard. As such, it is not possible to fully assess the effect of the adoption of IFRS 9.

IFRS 16 - "Leases", applicable for the period beginning on or after 1 January 2019. The new standard eliminates the current dual accounting model for lessees under IAS 17, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 proposes on-balance sheet accounting model. The Company has decided not to early adopt this new standard.

IFRS 17 - "Insurance Contracts", applicable for the period beginning on or after 1 January 2022, and will supersede IFRS 4 "Insurance Contracts". Earlier adoption permitted if both IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' have also been applied. The Company expects a material impact on measurement and disclosure of insurance and reinsurance that will affect both the income statement and the balance sheet. The Company has decided not to early adopt this new standard.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these annual financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2017 except for those mentioned in note 3.
The summary of significant accounting policies are as follows;

Property and equipment

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

	Year
Leasehold improvements	7
Furniture and fixtures	7
Office equipment	5
Computer hardware	5
Motor vehicles	5

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the statement of income.
The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Intangible assets

Separately acquired intangible assets are shown at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortization and impairment losses. The Company amortises intangible assets with a limited useful life using straight-line method over the following periods:

	Year
Computer software	3

Accounts payable and accruals

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

Leases

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

Zakat and income tax

The Company is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"). Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat regulations. Income taxes are computed on the foreign shareholders share of net adjusted income for the year. Zakat and income tax is accrued on a quarterly basis. Effective January 1, 2017, based on the Circular issued by SAMA, the Company amended its accounting policy to charge zakat and tax directly into retained earnings in the statement of changes in equity instead of statement of income.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

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

Recognition of premium and commission revenue

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

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

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

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

Premium balances receivable

Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. Premiums and reinsurance balances receivable are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in the statement of 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 the cash flows attributable to the balance are passed through to an independent third party. Receivables disclosed in note 7 fall under the scope of IFRS 4 "Insurance contracts".

Special commission income

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

Insurance contracts

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

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

Claims

Claims consist of amounts payable to policyholders and third parties and related loss adjustment expenses, net of salvage and other recoveries.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the statement of financial position date together with related claims handling costs, whether reported by the insured or not. Provisions for reported claims not paid as of the statement of financial position date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported including related claims handling costs at the statement of financial position date.

The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately. Further, the Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Salvage and subrogation reimbursement

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

Estimates of salvage recoveries are included as an allowance in the measurement of the outstanding claims liability. The allowance is the amount that can reasonably be recovered from the disposal of the asset.

Subrogation reimbursements are also considered as an allowance in the measurement of the outstanding claims liability. The allowance is the assessment of the amount that can be recovered from the third party.

Deferred policy acquisition costs

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

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimate.

An impairment review is performed at each financial reporting date or more frequently when an indication of impairment arises. When the recoverable amounts are less than the carrying value, an impairment loss is recognized in the statement of income. Deferred policy acquisition cost is also considered in the liability adequacy test for each financial reporting period.

Statutory deposit

Statutory deposit represents 10% of the paid-up share capital of the Company which is maintained in accordance with the Cooperative Insurance Companies Control Law issued by the Saudi Arabian Monetary Authority (“SAMA”). SAMA is entitled for the income generated on the Statutory Deposit which cannot be withdrawn without the consent of SAMA.

Reinsurance contracts held

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets 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 asset 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 assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:

•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 on the assets.

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

a) For assets carried at fair value, impairment is the significant or prolonged decline in the fair value of the financial asset.
b) For assets carried at amortized cost, impairment is based on estimated future cash flows that are discounted at the original effective commission rate.

For available-for-sale financial assets, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of debt instruments classified as available for sale, the Company assesses individually whether there is an objective evidence of impairment. Objective evidence may include indications that the borrower is experiencing significant financial difficulty, default or delinquency in special commission income or principal payments, the probability that it will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults. However, 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 in the statement of income and statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to credit event occurring after the impairment loss was recognized in the statement of income and statement of comprehensive income, the impairment loss is reversed through 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 cost represents objective evidence of impairment. The impairment loss cannot be reversed through statement of income as long as the asset 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 investments available for sale investments

The determination of what is 'significant' or 'prolonged' requires judgement. A period of 12 months or longer is considered to be prolonged and a decline of 30% from original cost is considered significant as per Company policy. In making this judgement, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In making an assessment of whether an investment in debt instrument is impaired, the Company considers the factors such as market's assessment of creditworthiness as reflected in the bond yields, rating agencies' assessment of creditworthiness, country's ability to access the capital markets for new debt issuance 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.

4 Significant Accounting Policies (Continued)

Trade date accounting

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

Derecognition of financial instruments

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

Segment reporting

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

- Accidents and liabilities which provides coverage against accidental death to individual and group of persons under Personal Accident Insurance and insures the interest of employers under Fidelity Guarantee and affords cover for loss or damage under Money and certain public liability insurances
- Motor insurance which provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Property which provides coverage against fire, and any other insurance included under this class of insurance.
- Marine products which provide cover for unpredictable events during sea voyage and inland transit with solutions against unfortunate events incidences during travel and transit.
- Engineering products which provide companies with solutions against unfortunate events with respect to activities undertaken during construction projects.
- Other general lines which provides coverage for consumer products like service warranty and personal protection products.
- Health products which provide health care cover to policyholders.
- Protection and saving which provides coverage against life death to individual and group of personal under Personal and Group Protection Life.

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

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

4 Significant Accounting Policies (Continued)

Product classification

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

Investments

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

Available for sale investments ("AFS")

Available-for-sale financial assets are those non-derivative financial assets that are neither classified as held for trading or held to maturity or loans and receivables, nor are designated at fair value through profit or loss. Such investments are initially recorded at cost, being the fair value of the consideration given including transaction costs directly attributable to the acquisition of the investment and subsequently measured at fair value. Cumulative changes in fair value of such investments are recognized in other comprehensive income in the statement of comprehensive income under "Net change in fair value – Available for sale investments". Realized gains or losses on sale of these investments are reported in the related statements of income under "Realized gain / (loss) on investments available for sale investments."

Dividend, commission income and foreign currency gain/loss on available-for-sale investments are recognized in the related statements of income or statement of comprehensive income - shareholders operations, as part of the net investment income / loss

Any significant or prolonged decline in fair value of available-for-sale investments is adjusted for and reported in the related statement of comprehensive income, as impairment charges.

Fair values of available-for-sale investments are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

For unquoted investments, fair value is determined by reference to the market value of a similar investment or where the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Reclassification

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to HTM is permitted only when the entity has the ability and intention to hold the financial asset until maturity. For a financial asset reclassified out of the 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 asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the Effective Interest Rate "EIR". Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the Effective Interest Rate "EIR". If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of income.

4 Significant Accounting Policies (Continued)

Held to maturity investments ("HTM")

Investments having fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity are classified as held to maturity. Held to maturity investments are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any discount or premium on acquisition using an effective yield basis. Any gain or loss on such investments is recognised in the (consolidated) statement of income when the investment is derecognised or impaired.

Reclassification

Investments classified as held to maturity cannot ordinarily be sold or reclassified without impacting the Comapny's ability to use this classification and cannot be designated as a hedged item with respect to commission rate or prepayment risk, reflecting the longer-term nature of these investments.

However, sales and reclassifications in any of the following circumstances would not impact the Comapny's ability to use this classification.

-Sales or reclassifications that are so close to maturity that the changes in market rate of commission would not have a significant effect on the fair value.

-Sales or reclassifications after the Company has collected substantially all the assets' original principal

-Sales or reclassifications attributable to non-recurring isolated events beyond the Comapny's control that could not have been reasonably anticipated.

Liability adequacy test

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

Expenses

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

Foreign currencies

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

Statutory reserves

In accordance with its Articles of Association, the Company shall allocate 20% of its net income of each year to a statutory reserve until it has built up a reserve equal to the share capital. In view of the accumulated losses, no such transfer has been made for the year ended 31 December 2018.

4 Significant Accounting Policies (Continued)

End of service indemnities

This represents end of service benefits plan, End-of-service benefits as required by Saudi Arabian Labor Law are required to be provided based on the employees' length of service, The Company's net obligations in respect of defined unfunded benefit plans (End-of-service-benefits) ("the obligations") is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognized past service costs. The discount rate used is the market yield on government bonds at the reporting date that have maturity dates approximating the terms of the Company's obligations. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method to determine the Company's present value of the obligation.

Provisions

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

Offsetting

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

Judgements

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

Key estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the significant accounting policies in note 4.

5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following:

	Insurance operations	
	December 31, 2018	December 31, 2017
SAR'000		
Bank balances and cash	**40,620**	14,266
Deposits maturing within 3 months from the acquisition date	**-**	40,018
Cash and cash equivalents in the statement of cash flow	**40,620**	54,284

	Shareholders' operations	
	December 31, 2018	December 31, 2017
SAR'000		
Bank balances and cash	**1,685**	1,737
Deposits maturing within 3 months from the acquisition date	**14,000**	3,000
Cash and cash equivalents in the statement of cash flow	**15,685**	4,737
Total	**56,305**	59,021

6 SHORT-TERM & LONG-TERM DEPOSITS

Short-term & long-term deposits include time deposits which represent deposits with local commercial banks with investment having credit ratings equivalent to ratings under Standard and Poor's, Fitch and Moody's rating methodology. These time deposits have an original maturity of more than three months from date of acquisition. Carrying amount of time deposits reasonably approximate the fair value at the statement of financial position. Time deposits invested for more than three months are set out below:

	Insurance operations	
	December 31, 2018	December 31, 2017
SAR'000		
Short term deposits	**35,139**	79,051
Average variable special commission rate	**2.27%**	2.25%
Long term deposits	-	29,000
Average variable special commission rate		3.33%

	Shareholders' operations	
	December 31, 2018	December 31, 2017
SAR'000		
Short term deposits	-	28,000
Average variable special commission rate		2.85%
Long term deposits	**89,000**	60,000
Average variable special commission rate	**3.47%**	3.67%
Total short term deposits	**35,139**	107,051
Total long term deposits	**89,000**	89,000

7 PREMIUMS AND RE-INSURANCE BALANCES RECEIVABLE

Receivables comprise amounts due from the following:

SAR'000	**December 31, 2018**	December 31, 2017
Policyholders	**5,836**	2,886
Brokers and agents	**22,519**	71,048
Related parties (note 18)	**770**	1,224
Receivables from re-insurance	**-**	1,538
	29,125	76,696
Provision for doubtful receivables	**(9,872)**	(10,618)
Premiums and re-insurance balances receivable – net	**19,253**	66,078

Movement in provision for doubtful debts:

	2018	2017
	SAR'000	
Balance, January 1	**10,618**	4,295
Provision for the year	**-**	6,323
Reversal for the year	**(746)**	-
Balance, December 31	**9,872**	10,618

As at December 31, the ageing of receivables is as follows:

			Past due but not impaired			**Past due and impaired**		
	Total	**Neither past due nor impaired**	Less than 30 days	31 - 60 days	61 - 90 days	91 - 180 days	181 - 360 days	More than 360 days
Premiums and re-insurance receivables								
- Policyholders'	**5,836**	**-**	**3,489**	**322**	**149**	**669**	**497**	**710**
- Due from brokers	**22,519**	**-**	**1,211**	**1,947**	**2,826**	**5,096**	**5,615**	**5,824**
- Due from related parties	**770**		**58**	**57**	**29**	**8**	**469**	**149**
- Receivable from re-insurance	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2018	**29,125**	**-**	**4,758**	**2,326**	**3,004**	**5,773**	**6,581**	**6,683**

			Past due but not impaired			**Past due and impaired**		
	Total	**Neither past due nor impaired**	Less than 30 days	31 - 60 days	61 - 90 days	91 - 180 days	181 - 360 days	More than 360 days
Premiums and re-insurance receivables								
- Policyholders'	2,886	(175)	43	504	535	582	647	750
- Due from brokers	71,032	(2,535)	1,274	16,784	12,258	28,528	11,472	3,251
- Due from related parties	1,240	(448)	130	545	271	324	392	26
- Receivable from re-insurance	1,538	1,538	-	-	-	-	-	-
2017	76,696	(1,620)	1,447	17,833	13,064	29,434	12,511	4,027

The Company only enters into insurance and re-insurance contracts with recognized and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables are monitored on an ongoing basis in order to reduce the Company's exposure to debts.

The five largest customers accounts for 42% (December 31, 2017: 18%) of the premiums receivable as at 31 December, 2018.

8 PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Property and Equipment						Intangible Assets	
	Office equipment SR'000	**Furniture and fixtures SR'000**	**Leasehold improvements SR'000**	**Motor vehicles SR'000**	**Computer hardware SR'000**	**Total SR'000**	**Computer software SR'000**	**Total SR'000**
Cost:								
Balance at January 1, 2018	**587**	**1,032**	**3,800**	**281**	**6,041**	**11,741**	**4,049**	**15,790**
Additions during the year	**45**	**17**	**46**	**-**	**65**	**173**	**401**	**574**
Disposals during the year	-	-	-	-	-	-	-	-
Balance at December 31, 2018	**632**	**1,049**	**3,846**	**281**	**6,106**	**11,914**	**4,450**	**16,364**
Accumulated depreciation:								
Balance at January 1, 2018	**478**	**710**	**2,481**	**82**	**4,883**	**8,634**	**3,419**	**12,053**
Charge for the year (note 21)	**44**	**149**	**546**	**56**	**327**	**1,122**	**268**	**1,390**
Disposals during the year	-	-	-	-	-	-	-	-
Balance at December 31, 2018	**522**	**859**	**3,027**	**138**	**5,210**	**9,756**	**3,687**	**13,443**
Net book value as at								
December 31, 2018	**110**	**190**	**819**	**143**	**896**	**2,158**	**763**	**2,921**
December 31, 2017	109	322	1,319	199	1,158	3,107	630	3,737

9 STATUTORY DEPOSIT AND ACCRUED COMMISSION

Statutory deposit amounting to SR 35 million (December 2017: SR 35 million) kept with a local bank, represents 10% of the paid up share capital of the Company which is maintained in accordance with the Cooperative Insurance Companies Control Law issued by the Saudi Arabian Monetary Authority ("SAMA"). This statutory deposit cannot be withdrawn without the consent of SAMA. Accrued commission on statutory deposit amounted to SR 1,935 thousand as of 31 December 2018 (SR 1,284 thousand as of 31 December 2017) and was reported separately under Shareholders' Assets and Shareholders' Liabilities in accordance with SAMA instructions.

Following the Capital reduction from SAR 350 million to SAR 180 million (refer note 20), the Company has not reduced its Statutory Deposit and the amount presented as of 31 December 2018 is still 10% of the old paid-up share capital.

10 INVESTMENTS

Investments are classified as follows:

		Shareholders' operations	
SAR'000		**December 31, 2018**	December 31, 2017
		-	
- Available for Sale	10.1	**17,653**	3,175
- Held to maturity	10.2	-	49,529
Total		**17,653**	52,704

10 INVESTMENTS (continued)

10.1 Available for Sale (AFS)

SAR'000	Notes	Shareholders' operations December 31, 2018	Shareholders' operations December 31, 2017
Type of Investments			
Equity	10.1 (a)	**3,175**	3,175
Sukuks unquoted	10.1 (b)	**14,478**	-
		17,653	3,175

10.1 (a) Equity unquoted

	December 31, 2018	December 31, 2017
Movement during the year		
Opening balance	**3,175**	3,175
` Purchase during the year	**-**	-
Sold during the year	**-**	-
Net change in fair values during the year	**-**	-
Closing balance of equity shares portfolio	**3,175**	3,175

The above equity represents investment in Najm.

10.1 (b) Sukuks unquoted

	Notes	December 31, 2018	December 31, 2017
Movement during the year			
Opening balance		**-**	-
` Transfer from HTM*	10.2	**49,604**	-
Sold during the year		**(35,000)**	-
Net change in fair values during the year		**(126)**	-
Closing balance of Sukuks unquoted		**14,478**	-

* During the year, the management decided to dispose of Sukuks which were classified as Held to maturity, accordingly the investment has been reclassified to available for sale.

10.2 Held to Maturity (HTM)

SAR'000	Shareholders' operations December 31, 2018	Shareholders' operations December 31, 2017
Type of Investments		
Sukuk – Private – Floating rate	**-**	35,000
Sukuk – Governmental – Fixed rate	**-**	14,441
Amortization of discount on HTM	**-**	88
	-	49,529
Movement during the year		
Opening balance	**49,529**	49,457
` Purchase during the year	**-**	-
Transfer from AFS*	**(49,604)**	-
Amortization of discount on HTM	**75**	72
Closing balance of equity shares portfolio	**-**	49,529

*During the year, the management decided to dispose of Sukuks which were classified as held to maturity, Accordingly the investment has been reclassified to available for sale.

All investments above are within KSA.

11 TECHNICAL RESERVES

11.1 Net outstanding claims and reserves

a) Net outstanding claims and reserves comprise of the following:

SAR'000	December 31, 2018	December 31, 2017
Outstanding claims	**30,107**	34,814
Less: Realizable value of salvage and subrogation	**(2,502)**	-
	27,605	34,814
Claims incurred but not reported	**50,029**	81,981
	77,634	116,795
Other technical reserves	**-**	-
	77,634	116,795
Less:		
Re-insurance share of outstanding claims	**19,457**	21,496
Re-insurance share of claims incurred but not reported	**24,042**	23,682
	43,499	45,178
Net outstanding claims and reserves	**34,135**	71,617

b) Movement in outstanding claims and reserves:

	December 31, 2018			December 31, 2017		
SAR'000	**Gross**	**Re-insurance share**	**Net**	Gross	Re-insurance share	Net
End of the year						
Outstanding claims	**27,605**	**(19,457)**	**8,148**	34,814	(21,496)	13,318
Claims incurred but not reported	**50,029**	**(24,042)**	**25,987**	81,981	(23,682)	58,299
	77,634	**(43,499)**	**34,135**	116,795	(45,178)	71,617
Claims paid during the year	**262,309**	**(50,446)**	**211,863**	246,330	(41,560)	204,770
Beginning of the year						
Outstanding claims	**34,814**	**(21,496)**	**13,318**	42,698	(17,643)	25,055
Claims incurred but not reported	**81,981**	**(23,682)**	**58,299**	38,414	(16,161)	22,253
	116,795	**(45,178)**	**71,617**	81,112	(33,804)	47,308
Claims incurred	**223,148**	**(48,767)**	**174,381**	282,013	(52,934)	229,079

11 TECHNICAL RESERVES (Continued)

11.1 Net outstanding claims and reserves (Continued)

b) claim development:

The following table shows the estimates of cumulative incurred claims, including both claims notified and incurred but not reported for each successive accident year at each reporting date, together with cumulative payments to date.

Gross insurance contract outstanding claims provision for 2018:

Accident year	*2014 & prior years*	*2015*	*2016*	*2017*	*2018*	*Total*
	SR'000	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*
Estimate of ultimate claims cost at end of accident year	**19**	**15,109**	**89,941**	**189,352**	**204,441**	**204,441**
One year later	**43**	**28,202**	**132,424**	**250,331**	**-**	**250,331**
Two years later	**41**	**28,360**	**132,777**	**-**	**-**	**132,777**
Three years later	**41**	**28,126**	**-**	**-**	**-**	**28,126**
Four years later	**41**	**-**	**-**	**-**	**-**	**41**
Current estimate of cumulative claims incurred	**41**	**28,126**	**132,777**	**250,331**	**204,441**	**615,716**
Cumulative payments to date	**41**	**27,765**	**131,967**	**232,852**	**154,098**	**546,723**
Total gross insurance outstanding claims provision excluding ALICO run off portfolio	**-**	**361**	**810**	**17,479**	**50,343**	**68,993**
Total gross insurance outstanding claims provision -ALICO Run-off portfolio	**6,725**	**6**	**89**	**693**	**1,128**	**8,641**
Total gross insurance outstanding claims provision per the statement of financial position	**6,725**	**367**	**899**	**18,172**	**51,471**	**77,634**

b) claim development:

Gross insurance contract outstanding claims provision for 2017:

Accident year	2014 & prior years	2015	2016	2017	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
Estimate of ultimate claims cost at end of accident year	6	14,259	88,156	263,059	263,059
One year later	41	27,740	140,435	-	140,435
Two years later	41	28,215	-	-	28,215
Three years later	41	-	-	-	41
Current estimate of cumulative claims incurred	41	28,215	140,435	263,059	431,750
Cumulative payments to date	41	27,409	131,274	167,320	326,044
Total gross insurance outstanding claims provision excluding ALICO run off portfolio	-	806	9,161	95,739	105,706
Total gross insurance outstanding claims provision -ALICO Run-off portfolio	10,609	6	270	204	11,089
Total gross insurance outstanding claims provision per the statement of financial position	10,609	812	9,431	95,943	116,795

11 TECHNICAL RESERVES (Continued)

11.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	For the year ended December 31, 2018		
SAR'000	**Gross**	**Re-insurance**	**Net**
Balance at the beginning of the year	**128,277**	**16,028**	**112,249**
Premium written during the year	**168,803**	**71,162**	**97,641**
Premium earned during the year	**(261,219)**	**(64,773)**	**(196,446)**
Balance at the end of the year	**35,861**	**22,417**	**13,444**

	For the year ended December 31, 2017		
SAR'000	Gross	Re-insurance	Net
Balance at the beginning of the year	96,831	28,592	68,239
Premium written during the year	354,880	66,090	288,790
Premium earned during the year	(323,434)	(78,654)	(244,780)
Balance at the end of the year	128,277	16,028	112,249

11.3 Movement in deferred policy acquisition costs

SAR'000	**For the year ended December 31, 2018**	For the year ended December 31, 2017
Balance at the beginning of the year	**11,438**	9,084
Incurred during the year	**12,133**	31,222
Amortized during the year	**(20,987)**	(28,868)
Balance at the end of the year	**2,584**	11,438

11.4 Movement in unearned reinsurance commission income

SAR'000	**For the year ended December 31, 2018**	For the year ended December 31, 2017
Balance at the beginning of the year	**3,699**	4,952
Incurred during the year	**12,033**	12,156
Amortized during the year	**(11,804)**	(13,409)
Balance at the end of the year	**3,928**	3,699

12 COMMITMENTS AND CONTIGENCIES

a) The Company's commitments and contingencies are as follows:

SAR'000	**December 31, 2018**	December 31, 2017
Letters of guarantee	**3,539**	3,161
Operating lease	**-**	2,570
Total	**3,539**	5,731

b) The Company is subject to legal proceedings in the ordinary course of its business. There was no change in the status of legal proceedings as disclosed at December 31, 2017.

13 PAYABLE, ACCRUALS AND OTHER LIABILITIES

	Insurance Operations	
	2018	2017
	SAR'000	
Accrued costs	**7,016**	5,649
Accrued employee cost	**1,143**	386
Advance premiums	**1,567**	2,374
Commissions payable	**2,205**	11,672
Other payables	**602**	491
Claims payables	**480**	328
Reinsurance payables	**466**	169
	13,479	21,069

	Shareholder's Operations	
	2018	2017
	SAR'000	
Accrued costs	**2,049**	1,029
Total	**15,528**	22,098

14 END OF SERVICE INDEMNITIES

14.1 General Description

The Company operates an end of service benefit scheme for its employees based on the prevailing Saudi Labor Laws. The liability in respect of the scheme is estimated by an actuary in accordance with International Accounting Standard 19 - Employee Benefits, using "Projected Unit Credit Method".

14.2 The amounts recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows

	2018	2017
	SAR'000	
Present value of defined benefit obligation	**3,898**	3,881

14.3 Movement of defined benefit obligation

	2018	2017
	SAR'000	
Opening balance	**3,881**	2,014
Charge to statement of income	**670**	2,397
Charge to statement of comprehensive income	**(375)**	-
Payment of benefits during the year	**(278)**	(530)
Closing balance	**3,898**	3,881

14 END OF SERVICE IMDEMNITIES (continued)

	2018	2017
	SAR'000	
Present value of defined benefit obligation as at January 1	**3,881**	2,014
Current service costs	**503**	2,397
Financial costs	**167**	-
Remeasurement of (gain) from experience adjustments	**(375)**	-
Benefits paid during the year	**(278)**	(530)
Present value of defined benefit obligation as at December 31	**3,898**	3,881

14.4 Principal actuarial assumptions

The following range of significant actuarial assumptions was used by the Company for the valuation of post-employment benefit liability:

Basic actuarial assumptions as at:	**2018**	2017
Valuation discount rate	**3.68%**	3.82%
Expected rate of increase in salary level across different age bands	**3.5%**	3.5%

Assumptions regarding future mortality are set based on actuarial advice in accordance with the published statistics and experience in the region.

Sensitivity analysis

Reasonably possible changes as to one of the actuarial assumptions, holding other assumptions constant, the amount of defined benefit obligations would have been:

	2018	
	SAR'000	
	Increase	**Decrease**
Discount rate (1.0% movement)	**3,405**	**4,494**
Future salary growth (1% movement)	**4,392**	**3,483**
	2017	
	SAR'000	
	Increase	Decrease
Discount rate (1.0% movement)	3,369	4,500
Future salary growth (1% movement)	4,392	3,451

15 PREPAID EXPENSES AND OTHER ASSETS

	Insurance operations	
	2018	2017
	SAR'000	
Advances to medical providers	**740**	5,251
Employees' receivable	**1,737**	2,162
Prepaid expenses	**1,305**	5,816
Deposit against letters of guarantee	**1,411**	1,411
Security deposits	**198**	177
Prepaid rent	**881**	209
Accrued interest	**445**	784
Other assets	**3,147**	4,876
	9,864	20,686

15 PREPAID EXPENSES AND OTHER ASSETS (Continued)

	Shareholders' operations	
	2018	2017
	SAR'000	
Accrued interest	**358**	1,112
Other assets	**471**	12
	829	1,124
Total	**10,693**	21,810

16 FAIR VALUES OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction takes place either:

- in the accessible principal market for the asset or liability, or
- in the absence of a principal market, in the most advantages accessible market for the asset or liability

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

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.

a. Carrying amounts and fair value

The following table shows the carrying amount and fair values of financial assets and financial 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 financial liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value.

SAR'000s	**Level 1**	**Level 2**	**Level 3**	**Total**
December 31, 2018				
Financial assets not measured at fair value (2) (3)				
- Available for sale	**-**	**14,478**	**3,175**	**17,653**
-Held to maturity investments	**-**	**-**	-	**-**
	-	**14,478**	**3,175**	**17,653**

SAR'000s	Level 1	Level 2	Level 3	Total
December 31, 2017				
Financial assets not measured at fair value (2) (3)				
- Available for sale	-	-	3,175	3,175
-Held to maturity investments	-	-	49,529	49,529
	-	-	52,704	52,704

The fair values of the financial assets not measured at fair value are not materially different from their carrying values.

17 Operating segments

As at December 31, 2018

	Protection & Savings	Health Insurance	Motor Insurance	Other General Insurance	Unallocated	Total - Insurance Operations	Shareholders' Operations	Total
					SAR'000			
Assets								
Cash and cash equivalents	-	-	-	-	40,620	40,620	15,685	56,305
Short term deposits	-	-	-	-	35,139	35,139	-	35,139
Premiums and re-insurance balances receivable	(269)	5,018	1,925	12,579	-	19,253	-	19,253
Re-insurance share of unearned Premiums	161	9,408	-	12,848	-	22,417	-	22,417
Re-insurance share of outstanding claims	15,431	-	-	4,026	-	19,457	-	19,457
Re-insurers' share of claims Incurred but not reported	548	3,253	-	20,241	-	24,042	-	24,042
Re-insurance share of mathematical reserve	176,787	-	-	-	-	176,787	-	176,787
Deferred policy acquisition costs	108	931	349	1,196	-	2,584	-	2,584
Investments	-	-	-	-	-	-	17,653	17,653
Due from related parties	-	-	-	-	133	133	-	133
Prepaid expenses and other assets	38	1,274	2,090	207	6,255	9,864	829	10,693
Long term/ fixed income deposits	-	-	-	-	-	-	89,000	89,000
Property and equipment	-	-	-	-	2,158	2,158	-	2,158
Intangible assets	-	-	-	-	763	763	-	763
Statutory deposit	-	-	-	-	-	-	35,000	35,000
Accrued commission on statutory deposit	-	-	-	-	-	-	1,935	1,935
Total assets	192,804	19,884	4,364	51,097	85,068	353,217	160,102	513,319
Liabilities								
Policyholders claims payable	-	5,068	80	-	-	5,148	-	5,148
Payables, accruals and others	1,229	2,541	3,569	5,991	149	13,479	2,049	15,528
Re-insurance balances payable	6,152	13,353	15	16,564	-	36,084	-	36,084
Gross unearned premiums	928	17,033	2,781	15,119	-	35,861	-	35,861
Unearned reinsurance commission income	36	894	-	2,998	-	3,928	-	3,928
Gross outstanding claims	18,871	177	3,761	4,796	-	27,605	-	27,605
Gross claims incurred but not reported	1,186	20,948	5,241	22,654	-	50,029	-	50,029
Gross mathematical reserves	176,787	-	-	-	-	176,787	-	176,787
Premium deficiency reserves	-	-	-	-	-	-	-	-
Due to related parties	-	-	-	-	56	56	-	56
Provision for zakat and income tax	-	-	-	-	-	-	2,593	2,593
End of service indemnities	-	-	-	-	3,898	3,898	-	3,898
Accrued commission payable to SAMA	-	-	-	-	-	-	1,935	1,935
Total liabilities	205,189	60,014	15,447	68,122	4,103	352,875	6,577	359,452

17 Operating segments

	As at December 31, 2017							
	Protection & Savings	Health Insurance	Motor Insurance	Other General Insurance	Unallocated	Total - Insurance Operations	Shareholders' Operations	Total
	SAR'000							
Assets								
Cash and cash equivalents	-	-	-	-	54,284	54,284	4,737	59,021
Short term deposits	-	-	-	-	79,051	79,051	28,000	107,051
Premiums and re-insurance balances receivable	2,522	44,963	7,510	11,083	-	66,078	-	66,078
Re-insurance share of unearned Premiums	180	668	-	15,180	-	16,028	-	16,028
Re-insurance share of outstanding claims	17,336	16	-	4,144	-	21,496	-	21,496
Re-insurers' share of claims Incurred but not reported	1,762	1,729	-	20,191	-	23,682	-	23,682
Re-insurance share of mathematical reserve	214,579	-	-	-	-	214,579	-	214,579
Deferred policy acquisition costs	203	8,142	1,423	1,670	-	11,438	-	11,438
Investments	-	-	-	-	-	-	52,704	52,704
Due from related parties	-	-	-	-	419	419	-	419
Prepaid expenses and other assets	31	9,609	1,841	284	8,921	20,686	1,124	21,810
Long term/ fixed income deposits	-	-	-	-	29,000	29,000	60,000	89,000
Property and equipment	-	-	-	-	3,107	3,107	-	3,107
Intangible assets	-	-	-	-	630	630	-	630
Statutory deposit	-	-	-	-		-	35,000	35,000
Accrued commission on statutory deposit	-	-	-	-	-	-	1,284	1,284
Total assets	236,613	65,127	10,774	52,552	175,412	540,478	182,849	723,327
Liabilities								
Policyholders claims payable	-	7,777	782	-		8,559	-	8,559
Payables, accruals and others	1,137	10,630	2,246	2,146	4,910	21,069	1,029	22,098
Re-insurance balances payable	5,188	2,778	859	25,284	-	34,109	-	34,109
Gross unearned premiums	1,506	96,709	13,511	16,551	-	128,277	-	128,277
Unearned reinsurance commission income	39	152	-	3,508	-	3,699	-	3,699
Gross outstanding claims	23,173	1,663	5,182	4,796	-	34,814	-	34,814
Gross claims incurred but not reported	2,565	50,798	6,048	22,570	-	81,981	-	81,981
Gross mathematical reserves	214,579	-	-	-	-	214,579	-	214,579
Premium deficiency reserves	-	9,945	-	-	-	9,945	-	9,945
Due to related parties	-	-	-	-	298	298	-	298
Provision for zakat and income tax	-	-	-	-	-	-	2,024	2,024
End of service indemnities	-	-	-	-	3,881	3,881	-	3,881
Accrued commission payable to SAMA	-	-	-	-	-	-	1,284	1,284
Total liabilities	248,187	180,452	28,628	74,855	9,089	541,211	4,337	545,548

For the year ended December 31, 2018

17 Operating segments

	Protection & Savings	Health Insurance	Motor Insurance	Other General Insurance	Total Insurance Operations	Shareholders' Operations	Total
				SAR'000			
REVENUES							
Gross premiums written	22,679	90,668	12,257	43,199	168,803	-	168,803
Re-insurance premiums ceded - foreign	(14,436)	(19,153)	-	(36,625)	(70,214)	-	(70,214)
Excess of loss expenses - foreign	(18)	-	(316)	(614)	(948)	-	(948)
Net written premiums	8,225	71,515	11,941	5,960	97,641	-	97,641
Changes in unearned premiums, net	559	88,418	10,730	(902)	98,805	-	98,805
Net earned premiums	8,784	159,933	22,671	5,058	196,446	-	196,446
Re-insurance commissions	2,554	1,368	-	7,882	11,804	-	11,804
Other underwriting income	1,453	-	2,381	113	3,947	-	3,947
TOTAL REVENUES	12,791	161,301	25,052	13,053	212,197	-	212,197
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	(15,651)	(183,895)	(18,810)	(2,158)	(220,514)	-	(220,514)
Surrenders and maturities	(36,138)	-	-	-	(36,138)	-	(36,138)
Expenses incurred related to claims	-	(5,361)	(296)	-	(5,657)	-	(5,657)
Re-insurers' share of claims paid	43,166	5,320	-	1,960	50,446	-	50,446
Net claims paid	(8,623)	(183,936)	(19,106)	(198)	(211,863)	-	(211,863)
Changes in outstanding claims, net	2,397	1,470	1,421	(118)	5,170	-	5,170
Changes in incurred but not reported claims, net	164	31,374	807	(33)	32,312	-	32,312
Net claims incurred	(6,062)	(151,092)	(16,878)	(349)	(174,381)	-	(174,381)
Changes in premium deficiency reserves	-	9,945	-	-	9,945	-	9,945
Policy acquisition costs	(1,569)	(13,109)	(2,412)	(3,897)	(20,987)	-	(20,987)
Inspection and supervisory fees	(116)	(2,557)	(115)	(223)	(3,011)	-	(3,011)
Other underwriting expenses	-	(797)	(140)	-	(937)	-	(937)
TOTAL UNDERWRITING COSTS AND EXPENSES	(7,747)	(157,610)	(19,545)	(4,469)	(189,371)	-	(189,371)
NET UNDERWRITING INCOME	5,044	3,691	5,507	8,584	22,826	-	22,826
OTHER OPERATING (EXPENSES)/ INCOME							
Reversal of / (Allowance for) doubtful debt	101	1,363	339	(1,057)	746	-	746
General and administrative expenses	-	-	-	-	(51,469)	(1,890)	(53,359)
Amortization of discount / premium on investments	-	-	-	-	-	75	75
Special commission income on deposits	-	-	-	-	3,204	4,206	7,410
TOTAL OTHER OPERATING (EXPENSES)/ INCOME					(47,519)	2,391	(45,128)
NET DEFICIT FOR THE YEAR FROM INSURANCE OPERATIONS					(24,693)	2,391	(22,302)
Shareholders' appropriation from deficit					24,693	(24,693)	-
NET RESULT FOR THE YEAR AFTER SHAREHOLDER's ATTRIBUTION					-	(22,302)	(22,302)

For the year ended December 31, 2017

17 Operating segments

	Protection & Savings	Health Insurance	Motor Insurance	Other General Insurance	Total Insurance Operations	Shareholders' operations	Total
			SAR'000				
REVENUES							
Gross premiums written	30,797	240,043	38,502	45,538	354,880	-	354,880
Re-insurance premiums ceded - foreign	(17,898)	(6,009)	-	(41,029)	(64,936)	-	(64,936)
Excess of loss expenses - foreign	(23)	-	(719)	(412)	(1,154)	-	(1,154)
Net written premiums	12,876	234,034	37,783	4,097	288,790	-	288,790
Changes in unearned premiums, net	332	(36,548)	(7,892)	98	(44,010)	-	(44,010)
Net earned premiums	13,208	197,486	29,891	4,195	244,780	-	244,780
Re-insurance commissions	2,560	885	-	9,964	13,409	-	13,409
Other underwriting income	1,476	-	3,939	208	5,623	-	5,623
TOTAL REVENUES	17,244	198,371	33,830	14,367	263,812	-	263,812
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	(9,143)	(177,733)	(17,866)	(4,556)	(209,298)	-	(209,298)
Surrenders and maturities	(30,258)	-	-	-	(30,258)	-	(30,258)
Expenses incurred related to claims	-	(6,774)	-	-	(6,774)	-	(6,774)
Re-insurers' share of claims paid	34,095	3,051	-	4,414	41,560	-	41,560
Net claims paid	(5,306)	(181,456)	(17,866)	(142)	(204,770)	-	(204,770)
Changes in outstanding claims, net	(2,901)	18,856	(4,174)	(44)	11,737	-	11,737
Changes in incurred but not reported claims, net	2,093	(33,324)	(3,585)	(1,230)	(36,046)	-	(36,046)
Net claims incurred	(6,114)	(195,924)	(25,625)	(1,416)	(229,079)	-	(229,079)
Changes in premium deficiency reserves	-	(9,945)	-	-	(9,945)	-	(9,945)
Policy acquisition costs	(2,893)	(16,938)	(3,538)	(5,500)	(28,869)	-	(28,869)
Inspection and supervisory fees	(156)	(3,044)	(153)	(291)	(3,644)	-	(3,644)
Other underwriting expenses	-	(1,648)	(365)	(54)	(2,067)	-	(2,067)
TOTAL UNDERWRITING COSTS AND	(9,163)	(227,499)	(29,681)	(7,261)	(273,604)	-	(273,604)
NET UNDERWRITING INCOME/ (LOSS)	8,081	(29,128)	4,149	7,106	(9,792)	-	(9,792)
OTHER OPERATING EXPENSES							
Reversal of / (Allowance for) doubtful debt	(105)	(2,147)	(765)	(3,306)	(6,323)	-	(6,323)
General and administrative expenses	-	-	-	-	(47,472)	(1,731)	(49,203)
Amortization of discount / premium on investments	-	-	-	-	-	72	72
Special commission income on deposits	-	-	-	-	2,014	5,426	7,440
TOTAL OTHER OPERATING (EXPENSES)/ INCOME					(51,781)	3,767	(48,014)
NET DEFICIT FOR THE YEAR FROM INSURANCE OPERATIONS					(61,573)	3,767	(57,806)
Shareholders' appropriation from deficit					61,573	(61,573)	-
NET RESULT FOR THE YEAR AFTER SHAREHOLDER's ATTRIBUTION					-	(57,806)	(57,806)

18 Related party transactions and balances

Related parties represent major shareholders, directors and key management personnel [Key Management Personnel includes all directors, executive and non-executive, and senior management] of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors. The following are the details of the major related party transactions during the period and the related balances.

	Transactions for the year ended		**Balance receivable / (payable) as at**	
	December 31, 2018	December 31, 2017	**December 31, 2018**	December 31, 2017
	SAR'000			
Major shareholders				
Arab National Bank ("ANB") (Shareholder)				
Premiums receivable on policies sold through agency agreement with ANB agency	**14,647**	31,531	**770**	1,240
Commission payable on policies sold through agency agreement with ANB agency	**1,547**	3,473	**(595)**	(334)
Commitments and Contingencies (Letters of Guarantee)	**-**	-	**1,763**	1,411
Time Deposits	-	-		88,000
Commission income on deposits	**1,815**	1,211	**-**	945
Held to Maturity Investment (investment in ANB Sukuk)		**-**	**-**	10,000
Special commission income on held to maturity	**416**	357	**-**	81
American International Group ("AIG")				
Reinsurance premiums payable & XOL	**22,418**	9,960	**(12,207)**	(18,057)
Reinsurance commission	**(5,182)**	(5,596)	**-**	-
Reinsurance share of paid claims	**(3)**	(2,633)	**-**	-
General and administrative expenses paid on behalf of the Company and recharged to the Company	**345**	796	**(56)**	(298)
MetLife (Shareholder)				
General and administrative expenses paid on behalf of the Company and recharged to the Company	**300**	270	**133**	419
Administration Fees Income (portfolio transfer)	**1,453**	(1,476)	**-**	**-**
Entities controlled, jointly controlled or				
Delaware American Life Insurance Company				
Reinsurance premiums payable	**12,475**	5,784	**(6,588)**	(2,466)
Reinsurance commission	**(1,908)**	(843)	**-**	-
Reinsurance share of paid claims	**(5,397)**	(3,051)	**-**	-
American Life Insurance Company "ALICO" (Owned 100% by MetLife)				
Reinsurance premiums payable/ receivable	**8,244**	10,974	**(2,176)**	1,249
Reinsurance commission	**(2,001)**	(2,369)	**-**	-
Reinsurance share of paid claims	**(36,138)**	(30,258)	**-**	-

18 Related party transactions and balances (Continued)

The following table shows the annual salaries, remuneration and allowances pertaining to the Board members and top executives for the year ended December 31, 2018 and 2017:

2018

	BOD members (Non-Executive)	**Top Executives including the CEO and CFO**
	SAR 000	
Salaries and compensation	**-**	**5,972**
Board of Directors and Committees' fees	**860**	**-**
	860	**5,972**

2017

	BOD members (Non-Executive)	Top Executives including the CEO and CFO
	SAR 000	
Salaries and compensation	-	7,663
Board of Directors and Committees' fees	691	-
	691	7,663

19 ZAKAT AND INCOME TAX

The zakat payable by the Company has been calculated based on the best estimate of management.

	December 31, 2018 SR'000	December 31, 2017 SR'000
Saudi shareholders' capital (48.02%)	**86,436**	168,070
Accumulated losses and other adjustments	**20,870**	(32,753)
Payments during the year	**(1,080)**	-
Book value of long term assets	**(30,016)**	(51,598)
Adjusted income for the year	**(10,250)**	(23,719)
Saudi shareholders' share of zakat base computed	**65,960**	60,000
Zakat due at 2.5%	**1,649**	1,500

Movements in zakat accrued during the year ended December 31, 2018 is as follows:

	December 31, 2018 SR'000	December 31, 2017 SR'000
At the beginning of the year	**2,024**	524
Provided during the year	**1,649**	1,500
Payments during the year	**(1,080)**	-
Balance at the end of the year	**2,593**	2,024

19 ZAKAT AND INCOME TAX (Continued)

Status of assessments

a) Zakat Charge for the year:

The zakat charge for the year consists of the current year provision amounting to SR 1,649 thousand (31 December 2017: SR 1,500 thousand). The zakat provision is based on Ultimate Parent Saudi Shareholders' share of capital at 48.02% (31 December 2017: 48.02%).

b) Income tax charge for the year:

There was no income tax charge for the period relating to the Non-Saudi shareholder due to the net adjusted loss (same for 31 December 2017). The Ultimate Parent Non- Saudi Shareholders' share of capital is 51.98% (31 December 2017: 51.98%).

c) Status of zakat and income tax assessments:

Tax/zakat return of the Company for the 12 months ending 31 December 2017 has been filed within the stipulated deadline. The Company has extracted its tax/zakat certificate which is valid till 30 April 2019.

Tax year 2013

During 2018 the Company received Preliminary Committee`s letter No. 55/2/1139 dated 16-07-1439H regarding GAZT assessments for the year 2013 to pay Zakat differences of SR 1,470 thousand and the Company filed an appeal during the legal period.

Tax year 2014

During 2016 the Company has received the following assessments related to 2014 Tax and Zakat filling as follows:
-GAZT letter No. 019000006784 dated 03 November 2016 requesting the Company to pay additional zakat of SR 351 thousand for the year 2014 and Company filed an appeal during the legal period.
-GAZT letter No. 024000033080 dated 03 November 2016 requesting the Company to pay additional suppliers' withholding tax of SR 246 thousand for the year 2014 (include SR 58 thousand as delay fines) and Company filed an appeal during the legal period.

During 2018, the Company received Preliminary Committee`s decision No. 216/2/1139 dated 14-04-1439H (01 January 2018) regarding GAZT assessments for the year 2014, in which Preliminary Committee rejected the Company's appeal, the Company filed an appeal with Higher Committee during the legal period.

Tax year 2015, 2016 and 2017

The Company has not received yet assessment for the tax years 2015, 2016 and 2017.

The Company's management expects the success in defending all items raised by GAZT.

20 SHARE CAPITAL

The authorized, issued and paid-up share capital of the Company is SR 180 million divided into 18 million shares of SAR 10 each (31 December 2017: SR 350 million divided into 35 million shares of SR 10 each).

Shareholding structure of the Company is as below. The shareholders of the Company are subject to zakat.

	December 31, 2018		
	Authorized and issued		**Paid up**
	No. of shares	**Amount**	
		SAR'000	
American Life Insurance Company (MetLife)	**5,400,000**	**54,000**	**54,000**
Arab National Bank	**5,389,200**	**53,892**	**53,892**
American International Group ("AIG")	**1,800,000**	**18,000**	**18,000**
Public shares	**5,410,800**	**54,108**	**54,108**
	18,000,000	**180,000**	**180,000**

	December 31, 2017		
	Authorized and issued		Paid up
	No. of Shares	Amount	
		SAR'000	
American Life Insurance Company (MetLife)	10,500,000	105,000	105,000
Arab National Bank	10,479,000	104,790	104,790
American International Group ("AIG")	3,500,000	35,000	35,000
Public shares	10,521,000	105,210	105,210
	35,000,000	350,000	350,000

The share capital represents foreign shareholders by 40% and Saudi shareholders 60% as at the period end.

The Company in its extra ordinary general meeting held on 18 April 2018 approved the reduction of share capital from Saudi Riyals 350 million to Saudi Riyals 180 million by reducing the number of share from 35 million to 18 million shares of SR 10 each to restructure the Company's capital to offset SAR 170,000,000 of the Company's accumulated losses in line with the new Companies Law.

This resulted in accumulated losses to decline below on half of Company's share capital. The reduction of capital has been approved by the regulatory authorities. During the year ended 31 December 2018 the Company incurred transaction cost of SAR 210 thousand in respect of reduction in share capital, which has been charged directly to the statement of changes in shareholders' equity. There is no effect of the capital reduction on the Company's obligations.

21 GENERAL AND ADMINISTRATIVE EXPENSES

	Insurance Operations		**Shareholders' operations**		**Total**	
	December 31, 2018	December 31, 2017	**December 31, 2018**	December 31, 2017	**December 31, 2018**	December 31, 2017
	SR'000	SR'000	**SR'000**	SR'000	SR'000	SR'000
Employee costs	**34,505**	34,408	**-**	-	**34,505**	34,408
Legal and professional fees	**6,975**	2,638	**61**	368	**7,036**	3,006
Information technology expenses	**3,657**	3,187	**-**	-	**3,657**	3,187
Others	**2,044**	2,557	**625**	243	**2,669**	2,800
Rent	**2,084**	1,976	**-**	-	**2,084**	1,976
Depreciation & amortisation (Note 8)	**1,390**	1,955	**-**	-	**1,390**	1,955
Board expenses	**-**	-	**1,204**	1,120	**1,204**	1,120
Travel and lodging expenses	**814**	751	**-**	-	**814**	751
	51,469	47,472	**1,890**	1,731	**53,359**	49,203

22 CAPITAL MANAGEMENT

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares.

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

The Company maintains its capital as per guidelines laid out by SAMA in Article 66 table 3 and 4 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained. According to the said Article, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

- Minimum Capital Requirement of SR 100 million
- Premium Solvency Margin
- Claims Solvency Margin

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

23 BASIC LOSS PER SHARE

Basic loss per share for the year has been calculated by dividing the net loss for the year by the weighted average number of outstanding shares at the year end. There is no diluted loss per share as at 31 December 2018.

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

	December 31, 2018	December 31, 2017 (Restated)
Issued ordinary shares at the beginning of the year	**18,000,000**	18,000,000
Weighted average number of ordinary shares	**18,000,000**	18,000,000

The basic and diluted earnings per share are as follows:

Net loss before zakat for the year	**(22,302,000)**	(57,805,842)
		(Restated)
Weighted average number of ordinary shares	**18,000,000**	18,000,000
Basic loss per share	**(1.24)**	(3.21)

24 FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks which requires risk management activities such as analysis, evaluation, acceptance and management of some degree of risk or combination of risks. These risks are an inevitable consequence of participating in financial markets. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Company's financial performance.

The Company's risk management policies, procedures and systems are designed to identify and analyze these risks and to set appropriate risk mitigants and controls. The Company reviews its risk management policies and systems on an ongoing basis to reflect changes in markets, products and emerging best practices.

24.1 Credit risk

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

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

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

Premiums receivable comprise a large number of receivables from individual and corporate clients. The five largest premium receivable accounts constitute 42% of premiums receivable as at 31 December 2018 (31 December 2017: 18%).

24.1 Credit risk (Continued)

The table below shows the maximum exposure to credit risk for the components of the statement of the financial position as at 31 December.

	December 31, 2018 SR'000	December 31, 2017 SR'000
ASSETS, INSURANCE OPERATIONS		
Cash and cash equivalents	**40,620**	54,284
Short term deposits	**35,139**	79,051
Premiums and re-insurance balances receivable	**19,253**	66,078
Re-insurance share of unearned premiums	**22,417**	16,028
Re-insurance share of outstanding claims	**19,457**	21,496
Re-insurers' share of claims incurred but not reported	**24,042**	23,682
Re insurance share of mathematical reserve	**176,787**	214,579
Due from related parties	**133**	419
Long term deposits	**-**	29,000
Prepaid expenses and other assets	**9,864**	20,686
TOTAL ASSETS	**347,712**	525,303
ASSETS, SHAREHOLDERS' OPERATIONS		
Cash and cash equivalents	**15,685**	4,737
Short term deposits	**-**	28,000
Investments	**17,653**	52,704
Prepaid expenses and other assets	**829**	1,124
Long term/ fixed income deposits	**89,000**	60,000
Statutory deposit	**35,000**	35,000
Accrued commissionon statutory deposit	**1,935**	1,284
TOTAL ASSETS	**160,102**	182,849

The analysis of the credit ratings of the investment portfolio & deposits is as follows:

	December 31, 2018	
	Insurance operations SR'000	**Shareholders' operations SR'000**
S & P equivalent (A)	**35,139**	**74,478**
S & P equivalent (BBB+)	**-**	**29,000**
Unrated	**-**	**3,175**
	35,139	**106,653**

	December 31, 2017	
	Insurance operations SR'000	Shareholders' operations SR'000
S & P equivalent (A)	77,051	117,529
S & P equivalent (BBB+)	31,000	20,000
Unrated	-	3,175
	108,051	140,704

24 FINANCIAL RISK MANAGEMENT (continued)

24.2 Risk governance

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

24.3 Risk management structure

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

Board of Directors

The apex of risk governance is the centralized oversight of the board of directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

Senior management

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

The risks faced by the Company and the way these risks are mitigated by management are summarized below:

a) Insurance risk

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of Insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long-term claims.

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

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

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

The Insurance claim liabilities mentioned in note 11 are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

A key feature of the liability adequacy testing is that the effects of changes in the assumptions on the measurement of the liabilities and related assets are not symmetrical.

Frequency and severity of claims

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

24 FINANCIAL RISK MANAGEMENT (continued)

24.3 Risk management structure (continued)

a) Insurance risk (continued)

Accident and liability

Public liability

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

Motor

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims. The Company has reinsurance cover for such damage to limit losses for any individual claim.

Property

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

Marine

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

Engineering

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

Other general

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

Health

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

Group protection and saving

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

24 FINANCIAL RISK MANAGEMENT (continued)

24.3 Risk management structure (continued)

a) Insurance risk (continued)

Individual Protection and Saving

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

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

Sensitivity Analysis

A hypothetical 10% change in the net claims ratio would impact income by approximately SR 21,186,300 (2017: SR 20,477,003) annually in aggregate.

b) Re-insurance risk

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

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

	December 31, 2018	December 31, 2017
	SAR '000'	SAR '000'
USA	**9,285**	7,469
Middle East including Kingdom of Saudi Arabia	**10,172**	14,027
Reinsurers' share of outstanding claims (note 11)	**19,457**	21,496

c) Currency risk

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

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

d) Special commission rate risk

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

The sensitivity of the income is the effect of the assumed changes in the special commission rates, with all other variable held constant, on the Company's income for one year, based on the floating rate financial assets held at 31 December 2018. As at year end, the Company had floating rate HTM investment amounted to SR Nil as at 31 December 2018 (2017: SR 49 M) and the impact of any commission rate changes on the net income of this investment is not expected to be significant.

24 FINANCIAL RISK MANAGEMENT (continued)

24.3 Risk management structure (continued)

e) Market price risk

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

The Company has investments in unquoted sukuks and investment in Najm for Insurance Services Company that have been classified under "available for sale investments" (refer note 10). The Company has no significant market risk with regards to its investments as all investments are kept at values approximating their fair values.

f) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial instruments. There is also a liquidity risk associated with the timing difference between gross cash out-flows and expected Re-insurance recoveries.

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

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

- A Company liquidity risk policy setting out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Risk Committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Set guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet Insurance obligations.
- Setting up contingency funding plans which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.

The Company's catastrophic excess-of-loss Re-insurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

Maturity profiles

The table below summarizes the maturity profile of the non-derivative financial assets and liabilities of the Company based on remaining expected obligations. For insurance contract liabilities and Re-insurance assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognized insurance liabilities. Repayments that are subject to notice are treated as if notice were to be given immediately.

24 FINANCIAL RISK MANAGEMENT (continued)

24.3 Risk management structure (continued)

f) Liquidity risk (continued)

Maturity profiles (continued)

	December 31, 2018		
	Less than one year	**More than one year**	**Total**
ASSETS, INSURANCE OPERATIONS			
Cash and cash equivalents	**40,620**	-	**40,620**
Short term deposits	**35,139**	-	**35,139**
Premiums and re-insurance balances receivable	**19,253**	-	**19,253**
Re-insurance share of unearned Premiums	**22,417**	-	**22,417**
Re-insurance share of outstanding claims	**19,457**	-	**19,457**
Re-insurers' share of claims Incurred but not reported	**24,042**	-	**24,042**
Re-insurance share of mathematical reserve	**176,787**	-	**176,787**
Deferred policy acquisition costs	**2,584**	-	**2,584**
Due (to)/ from shareholders'/ insurance operations	**33**	-	**33**
Due from related parties	**133**	-	**133**
Prepaid expenses and other assets	**8,255**	**1,609**	**9,864**
Property and equipment	-	**2,158**	**2,158**
Intangible assets	-	**763**	**763**
TOTAL ASSETS	**348,720**	**4,530**	**353,250**

	December 31, 2017		
	Less than one year	More than one year	Total
ASSETS, INSURANCE OPERATIONS			
Cash and cash equivalents	54,284	-	54,284
Short term deposits	79,051	-	79,051
Premiums and re-insurance balances receivable	66,078	-	66,078
Re-insurance share of unearned Premiums	16,028	-	16,028
Re-insurance share of outstanding claims	21,496	-	21,496
Re-insurers' share of claims Incurred but not reported	23,682	-	23,682
Re-insurance share of mathematical reserve	214,579	-	214,579
Deferred policy acquisition costs	11,438	-	11,438
Due (to)/ from shareholders'/ insurance operations	733	-	733
Due from related parties	419	-	419
Prepaid expenses and other assets	19,098	1,588	20,686
Long term deposits	-	29,000	29,000
Property and equipment	-	3,107	3,107
Intangible assets	-	630	630
TOTAL ASSETS	506,886	34,325	541,211

24 FINANCIAL RISK MANAGEMENT (continued)

24.3 Risk management structure (continued)

f) Liquidity risk (continued)

Maturity profiles (continued)

	December 31, 2018		
	Less than one year	**More than one year**	**Total**
LIABILITIES, INSURANCE OPERATIONS			
Policyholders claims payable	**5,148**		**5,148**
Payables, accruals and others	**13,479**	**-**	**13,479**
Re-insurance balances payable	**36,084**	**-**	**36,084**
Gross unearned premiums	**35,861**	**-**	**35,861**
Unearned reinsurance commission income	**3,928**	**-**	**3,928**
Gross outstanding claims	**27,605**	**-**	**27,605**
Gross claims incurred but not reported	**50,029**	**-**	**50,029**
Gross mathematical reserves	**176,787**	**-**	**176,787**
Premium deficiency reserves	**-**	**-**	**-**
Due to related parties	**56**	**-**	**56**
End of service indemnities	**-**	**3,898**	**3,898**
TOTAL LIABILITIES	**348,977**	**3,898**	**352,875**

	December 31, 2017		
	Less than one year	More than one year	Total
LIABILITIES, INSURANCE OPERATIONS			
Policyholders claims payable	8,559	-	8,559
Payables, accruals and others	21,069	-	21,069
Re-insurance balances payable	34,109	-	34,109
Gross unearned premiums	128,277	-	128,277
Unearned reinsurance commission income	3,699	-	3,699
Gross outstanding claims	34,814	-	34,814
Gross claims incurred but not reported	81,981	-	81,981
Gross mathematical reserves	214,579	-	214,579
Premium deficiency reserves	9,945	-	9,945
Due to related parties	298	-	298
End of service indemnities	-	3,881	3,881
TOTAL LIABILITIES	537,330	3,881	541,211

24 FINANCIAL RISK MANAGEMENT (continued)

24.3 Risk management structure (continued)

f) Liquidity risk (continued)

Maturity profiles (continued)

	December 31, 2018		
	Less than one year	**More than one year**	**Total**
ASSETS, SHAREHOLDERS' OPERATIONS			
Cash and cash equivalents	**15,685**	**-**	**15,685**
Investments	**14,478**	**3,175**	**17,653**
Prepaid expenses and other assets	**829**	**-**	**829**
Long term deposits	**-**	**89,000**	**89,000**
Statutory deposit	**-**	**35,000**	**35,000**
Accrued commission on statutory deposit	**-**	**1,935**	**1,935**
TOTAL ASSETS	**30,992**	**129,110**	**160,102**

	December 31, 2017		
	Less than one year	More than one year	Total
ASSETS, SHAREHOLDERS' OPERATIONS			
Cash and cash equivalents	4,737	-	4,737
Short term deposits	28,000	-	28,000
Investments	-	52,704	52,704
Prepaid expenses and other assets	1,124	-	1,124
Long term deposits	-	60,000	60,000
Statutory deposit	-	35,000	35,000
Accrued commission on statutory deposit	-	1,284	1,284
TOTAL ASSETS	33,861	148,988	182,849

24 FINANCIAL RISK MANAGEMENT (continued)

24.3 Risk management structure (continued)

f) Liquidity risk (continued)

Maturity profiles (continued)

	December 31, 2018		
	Less than one year	**More than one year**	**Total**
LIABILITIES, SHAREHOLDERS' OPERATIONS			
Payables, accruals and others	**2,049**	**-**	**2,049**
Due to/from insurance/shareholders operations	**33**	**-**	**33**
Provision for zakat and income tax	**2,593**	**-**	**2,593**
Accrued commission payable to SAMA	**-**	**1,935**	**1,935**
TOTAL LIABILITIES	**4,675**	**1,935**	**6,610**

	December 31, 2017		
	Less than one	More than one	Total
LIABILITIES, SHAREHOLDERS' OPERATIONS			
Payables, accruals and others	1,029	-	1,029
Due to/from insurance/shareholders operations	733	-	733
Provision for zakat and income tax	2,024	-	2,024
Accrued commission payable to SAMA	-	1,284	1,284
TOTAL LIABILITIES	3,786	1,284	5,070

Liquidity profile

The table below summarizes the maturity profile of the financial assets and financial liabilities of the Company based on remaining contractual obligations, including premium receivable. For Insurance contract liabilities and assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognized Insurance liabilities. Unearned premiums, Reinsurance share of unearned premiums, deferred policy acquisition costs and unearned Re insurance commission income have been excluded from the analysis as they are not contractual obligations. Repayments that are subject to notice are treated as if notice were to be given immediately and such amounts are classified as due within one year.

24 FINANCIAL RISK MANAGEMENT (continued)

24.3 Risk management structure (continued)

f) Liquidity risk (continued)

	SAR'000				
	December 31, 2018				
	No fixed maturity	Up to 1 year	1-4 years	5 years and above	Total
ASSETS, INSURANCE OPERATIONS					
Cash and cash equivalents	-	40,620	-	-	40,620
Short term deposits	-	35,139	-	-	35,139
Premiums and re-insurance balances receivable	-	19,253	-	-	19,253
Re-insurance share of unearned premiums	-	22,417	-	-	22,417
Re-insurance share of outstanding claims	-	19,457	-	-	19,457
Re-insurers' share of claims Incurred but not reported	-	24,042	-	-	24,042
Re-insurance share of mathematical reserve	-	176,787	-	-	176,787
Deferred policy acquisition costs	-	2,584	-	-	2,584
Due (to)/ from shareholders'/ insurance operations	33	-	-	-	33
Due from related parties	-	133	-	-	133
Prepaid expenses and other assets	8,255	-	1,609	-	9,864
Property and equipment	-	-	2,158	-	2,158
Intangible assets	-	-	763	-	763
TOTAL ASSETS	8,288	340,432	4,530	-	353,250
LIABILITIES, INSURANCE OPERATIONS					
Policyholders claims payable	-	5,148	-	-	5,148
Payables, accruals and others	-	13,479	-	-	13,479
Re-insurance balances payable	-	36,084	-	-	36,084
Gross unearned premiums	-	35,861	-	-	35,861
Unearned reinsurance commission income	-	3,928	-	-	3,928
Gross outstanding claims	-	27,605	-	-	27,605
Gross claims incurred but not reported	-	50,029	-	-	50,029
Gross mathematical reserves	-	176,787	-	-	176,787
Premium deficiency reserves	-	-	-	-	-
Due to related parties	56	-	-	-	56
End of service indemnities	3,898	-	-	-	3,898
TOTAL LIABILITIES	3,954	348,921	-	-	352,875
TOTAL LIQUIDITY GAP	4,334	(8,489)	4,530	-	375

24 FINANCIAL RISK MANAGEMENT (continued)

24.3 Risk management structure (continued)

f) Liquidity risk (continued)

	SAR'000				
	December 31, 2018				
	No fixed maturity	Up to 1 year	1-4 years	5 years and above	Total
ASSETS, SHAREHOLDERS' OPERATIONS					
Cash and cash equivalents	-	15,685	-	-	15,685
Investments	3,175	14,478	-	-	17,653
Prepaid expenses and other assets	829	-	-	-	829
Long term deposits	-	-	89,000	-	89,000
Statutory deposit	35,000	-	-	-	35,000
Accrued commission on statutory deposit	1,935	-	-	-	1,935
TOTAL ASSETS	40,939	30,163	89,000	-	160,102
LIABILITIES, SHAREHOLDERS' OPERATIONS					
Payables, accruals and others	-	2,049	-	-	2,049
Due to/from insurance/shareholders operations	33	-	-	-	33
Provision for zakat and income tax	-	2,593	-	-	2,593
Accrued commission on statutory deposit	-	1,935	-	-	1,935
TOTAL LIABILITIES	33	6,577	-	-	6,610
TOTAL LIQUIDITY GAP	40,906	23,586	89,000	-	153,492

24 FINANCIAL RISK MANAGEMENT (continued)

24.3 Risk management structure (continued)

f) Liquidity risk (continued)

	SAR '000				
	December 31, 2017				
	No fixed maturity	Up to 1 year	1-4 years	5 years and above	Total
ASSETS, INSURANCE OPERATIONS					
Cash and cash equivalents	-	54,284	-	-	54,284
Short term deposits	-	79,051	-	-	79,051
Premiums and re-insurance balances receivable	-	66,078	-	-	66,078
Re-insurance share of unearned premiums	-	16,028	-	-	16,028
Re-insurance share of outstanding claims	-	21,496	-	-	21,496
Re-insurers' share of claims Incurred but not reported	-	23,682	-	-	23,682
Re-insurance share of mathematical reserve at FVSI	-	214,579		-	214,579
Deferred policy acquisition costs	-	11,438	-	-	11,438
Due (to)/ from shareholders'/ insurance operations	733	-	-	-	733
Due from related parties		419	-	-	419
Prepaid expenses and other assets	19,098	1,588	-	-	20,686
Long term deposits	-	-	29,000	-	29,000
Property and equipment	-	-	3,107	-	3,107
Intangible assets	-	-	630	-	630
TOTAL ASSETS	19,831	488,643	32,737	-	541,211
LIABILITIES, INSURANCE OPERATIONS					
Policyholders claims payable	-	8,559	-	-	8,559
Payables, accruals and others	-	21,069	-	-	21,069
Re-insurance balances payable	-	34,109	-	-	34,109
Gross unearned premiums	-	128,277	-	-	128,277
Unearned reinsurance commission income	-	3,699	-	-	3,699
Gross outstanding claims	-	34,814	-	-	34,814
Gross claims incurred but not reported	-	81,981	-	-	81,981
Gross mathematical reserves	-	214,579	-	-	214,579
Premium deficiency reserves	-	9,945	-	-	9,945
Due to related parties	-	298	-	-	298
End of service indemnities	3,881	-	-	-	3,881
TOTAL LIABILITIES	3,881	537,330	-	-	541,211
TOTAL LIQUIDITY GAP	15,950	(48,687)	32,737	-	-

24 FINANCIAL RISK MANAGEMENT (continued)

24.3 Risk management structure (continued)

f) Liquidity risk (continued)

	SAR '000				
	December 31, 2017				
	No fixed maturity	Up to 1 year	1-4 years	5 years and above	Total
ASSETS, SHAREHOLDERS' OPERATIONS					
Cash and cash equivalents	-	4,737	-	-	4,737
Short term deposits	-	28,000	-	-	28,000
Investments	3,175	49,529	-	-	52,704
Prepaid expenses and other assets	-	1,124	-	-	1,124
Long term deposits	-	60,000	-	-	60,000
Statutory deposit	35,000	-	-	-	35,000
Accrued commission on statutory deposit	1,284	-	-	-	1,284
TOTAL ASSETS	39,459	143,390	-	-	182,849
LIABILITIES, SHAREHOLDERS' OPERATIONS					
Payables, accruals and others	-	1,029	-	-	1,029
Due to/from insurance/shareholders operations	733	-	-	-	733
Provision for zakat and income tax	-	2,024	-	-	2,024
Accrued commission on statutory deposit	-	1,284	-	-	1,284
TOTAL LIABILITIES	733	4,337	-	-	5,070
TOTAL LIQUIDITY GAP	38,726	139,053	-	-	177,779

g) Operational risk

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 such as those arising from legal and regulatory requirements and generally accepted standards of investment management 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 investment objective of generating returns for investors. The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility encompasses the 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;

-Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;

-Ethical and business standards; and

-Risk mitigation policies and procedures.

25 SUPPLEMANTARY INFORMATION

STATEMENT OF FINANCIAL POSITION

	SAR '000					
	December 31, 2018			December 31, 2017		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
ASSETS						
Cash and cash equivalents	**40,620**	**15,685**	**56,305**	54,284	4,737	59,021
Short term deposits	**35,139**	**-**	**35,139**	79,051	28,000	107,051
Premiums and re-insurance balances receivable	**19,253**	**-**	**19,253**	66,078	-	66,078
Re-insurance share of unearned premiums	**22,417**	**-**	**22,417**	16,028	-	16,028
Re-insurance share of outstanding claims	**19,457**	**-**	**19,457**	21,496	-	21,496
Re-insurers' share of claims Incurred but not reported	**24,042**		**24,042**	23,682		23,682
Re-insurance share of mathematical reserve	**176,787**	**-**	**176,787**	214,579	-	214,579
Deferred policy acquisition costs	**2,584**	**-**	**2,584**	11,438	-	11,438
Investments	**-**	**17,653**	**17,653**	-	52,704	52,704
Due (to)/ from shareholders'/ insurance operations	**33**	**-**	**33**	733	-	733
Due from related parties	**133**		**133**	419		419
Prepaid expenses and other assets	**9,864**	**829**	**10,693**	20,686	1,124	21,810
Long term/ fixed income deposits	**-**	**89,000**	**89,000**	29,000	60,000	89,000
Property and equipment	**2,158**	**-**	**2,158**	3,107	-	3,107
Intangible assets	**763**	**-**	**763**	630	-	630
Statutory deposit	**-**	**35,000**	**35,000**	-	35,000	35,000
Accrued commission on statutory deposit	**-**	**1,935**	**1,935**	-	1,284	1,284
TOTAL ASSETS	**353,250**	**160,102**	**513,352**	541,211	182,849	724,060
LIABILITIES						
Policyholders claims payable	**5,148**	**-**	**5,148**	8,559	-	8,559
Payables, accruals and others	**13,479**	**2,049**	**15,528**	21,069	1,029	22,098
Re-insurance balances payable	**36,084**	**-**	**36,084**	34,109	-	34,109
Gross unearned premiums	**35,861**	**-**	**35,861**	128,277	-	128,277
Unearned reinsurance commission income	**3,928**	**-**	**3,928**	3,699	-	3,699
Gross outstanding claims	**27,605**	**-**	**27,605**	34,814	-	34,814
Gross claims incurred but not reported	**50,029**	**-**	**50,029**	81,981	-	81,981
Gross mathematical reserves	**176,787**	**-**	**176,787**	214,579	-	214,579
Premium deficiency reserves	**-**	**-**	**-**	9,945	-	9,945
Due to related parties	**56**	**-**	**56**	298	-	298
Due to/from insurance/shareholders operations	**-**	**33**	**33**	-	733	733
Provision for zakat and income tax	**-**	**2,593**	**2,593**	-	2,024	2,024
End of service indemnities	**3,898**	**-**	**3,898**	3,881	-	3,881
Accrued commission payable to SAMA	**-**	**1,935**	**1,935**	-	1,284	1,284
TOTAL LIABILITIES	**352,875**	**6,610**	**359,485**	541,211	5,070	546,281
EQUITY						
Share capital	**-**	**180,000**	**180,000**	-	350,000	350,000
Statutory reserve	**-**	**-**	**-**	-	-	-
Accumulated deficit	**-**	**(26,382)**	**(26,382)**	-	(172,221)	(172,221)
Remeasurement reserve for end of service indemnities	**375**	**-**	**375**	-	-	-
Fair value reserve -Available for investments	**-**	**(126)**	**(126)**	-	-	-
TOTAL EQUITY	**375**	**153,492**	**153,867**	-	177,779	177,779
TOTAL LIABILITIES AND EQUITY	**353,250**	**160,102**	**513,352**	541,211	182,849	724,060

25 SUPPLEMANTARY INFORMATION

STATEMENT OF INCOME

	SAR '000					
	December 31, 2018			December 31, 2017		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
REVENUES						
Gross written premiums	**168,803**	**-**	**168,803**	354,880	-	354,880
Re-insurance premiums ceded - foreign	**(70,214)**	**-**	**(70,214)**	(64,936)	-	(64,936)
Excess of loss expenses – foreign	**(948)**	**-**	**(948)**	(1,154)	-	(1,154)
Net written premiums	**97,641**	**-**	**97,641**	288,790	-	288,790
Changes in unearned premiums, net	**98,805**	**-**	**98,805**	(44,010)	-	(44,010)
Net premiums earned	**196,446**	**-**	**196,446**	244,780	-	244,780
Re-insurance commissions	**11,804**	**-**	**11,804**	13,409	-	13,409
Other underwriting income	**3,947**	**-**	**3,947**	5,623	-	5,623
TOTAL REVENUES	**212,197**	**-**	**212,197**	263,812	-	263,812
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	**(220,514)**	**-**	**(220,514)**	(209,298)	-	(209,298)
Surrenders and maturities	**(36,138)**	**-**	**(36,138)**	(30,258)	-	(30,258)
Expenses incurred related to claims	**(5,657)**	**-**	**(5,657)**	(6,774)	-	(6,774)
Reinsurers' share of claims paid	**50,446**	**-**	**50,446**	41,560	-	41,560
Net claims and other benefits paid	**(211,863)**	**-**	**(211,863)**	(204,770)	-	(204,770)
Changes in outstanding claims, net	**5,170**	**-**	**5,170**	11,737	-	11,737
Changes in incurred but not reported claims, net	**32,312**	**-**	**32,312**	(36,046)	-	(36,046)
Net claims and other benefits incurred	**(174,381)**	**-**	**(174,381)**	(229,079)	-	(229,079)
Change in premium deficiency reserve	**9,945**	**-**	**9,945**	(9,945)	-	(9,945)
Policy acquisition costs	**(20,987)**	**-**	**(20,987)**	(28,869)	-	(28,869)
Inspection and supervisory fees	**(3,011)**		**(3,011)**	(3,644)	-	(3,644)
Other underwriting expenses	**(937)**	**-**	**(937)**	(2,067)	-	(2,067)
TOTAL UNDERWRITING COSTS AND EXPENSES	**(189,371)**	**-**	**(189,371)**	(273,604)	-	(273,604)
NET UNDERWRITING INCOME/ (LOSS)	**22,826**	**-**	**22,826**	(9,792)	-	(9,792)
OTHER OPERATING (EXPENSES)/ INCOME						
Reversal of / (Allowance for) doubtful debt	**746**	**-**	**746**	(6,323)	-	(6,323)
General and administrative expenses	**(51,469)**	**(1,890)**	**(53,359)**	(47,472)	(1,731)	(49,203)
Amortization of discount / premium on investments	**-**	**75**	**75**	-	72	72
Special commission income on deposits	**3,204**	**4,206**	**7,410**	2,014	5,426	7,440
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	**(47,519)**	**2,391**	**(45,128)**	(51,781)	3,767	(48,014)
NET DEFICIT FOR THE YEAR FROM INSURANCE OPERATIONS	**(24,693)**	**2,391**	**(22,302)**	(61,573)	3,767	(57,806)
Shareholders' appropriation from deficit	**24,693**	**(24,693)**	**-**	61,573	(61,573)	-
NET RESULT FOR THE YEAR AFTER SHAREHOLDER's ATTRIBUTION	**-**	**(22,302)**	**(22,302)**	-	(57,806)	(57,806)

25 SUPPLEMANTARY INFORMATION

STATEMENT OF COMPREHENSIVE INCOME

	For the Year ended December 31					
	SAR '000					
	2018			2017		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
Net result for the year after shareholders' attribution	**-**	**(22,302)**	**(22,302)**	-	(57,806)	(57,806)
Other comprehensive income / (loss)						
Items that will be reclassified to statement of income in subsequent years						
- Net change in fair value- Available for sale investments	**-**	**(126)**	**(126)**	-	-	-
Items that will not be reclassified to statement of income in subsequent years						
- Remeasurement of end of service indemnities	**375**	**-**	**375**	-	-	-
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD	**375**	**(22,428)**	**(22,053)**	-	(57,806)	(57,806)

25 SUPPLEMANTARY INFORMATION

STATEMENT OF CASH FLOWS

	SAR '000					
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
	For the year ended December 31, 2018			For the year ended December 31, 2017		
CASH FLOWS FROM OPERATING ACTIVITIES						
Net result for the year	**-**	**(22,302)**	**(22,302)**	-	(57,806)	(57,806)
Adjustments for non-cash items:						
Shareholders' appropriation from deficit	**(24,693)**	**24,693**	**-**	(61,573)	61,573	-
Depreciation of property and equipment	**1,122**	**-**	**1,122**	1,641	-	1,641
Amortization of intangible assets	**268**	**-**	**268**	314	-	314
Provision for doubtful debts	**(746)**	**-**	**(746)**	6,323	-	6,323
Amortization of discount / premium on investments	**-**	**(75)**	**(75)**	-	(72)	(72)
(Gain)/loss on disposal of property and equipment	**-**	**-**	**-**	7	-	7
Provision for end of service indemnities	**670**	**-**	**670**	2,397	-	2,397
	(23,379)	**2,316**	**(21,063)**	(50,891)	3,695	(47,196)
Changes in operating assets and liabilities:						
Premiums and reinsurers' balances receivable	**47,571**		**47,571**	(17,760)	-	(17,760)
Reinsurers' share of unearned premiums	**(6,389)**	**-**	**(6,389)**	12,564	-	12,564
Reinsurers' share of mathematical reserves	**37,792**	**-**	**37,792**	20,263	-	20,263
Reinsurers' share of outstanding claims	**2,039**	**-**	**2,039**	(3,853)	-	(3,853)
Reinsurers' share of claims Incurred but not reported	**(360)**	**-**	**(360)**	(7,521)	-	(7,521)
Deferred policy acquisition costs	**8,854**	**-**	**8,854**	(2,354)	-	(2,354)
Deferred excess of loss premiums	**-**	**-**	**-**	-	-	-
Due from related parties	**286**	**-**	**286**	1,327	-	1,327
Prepaid expenses and other assets	**10,822**	**295**	**11,117**	14,574	(372)	14,202
Due to/from insurance/shareholders operations	**-**	**(25,393)**	**(25,393)**	-	(63,745)	(63,745)
Policyholders claims payable	**(3,411)**	**-**	**(3,411)**	1,514	-	1,514
Payables, accruals and others	**(7,590)**	**1,020**	**(6,570)**	6,338	157	6,495
Reinsurance balances payable	**1,975**	**-**	**1,975**	13,816	-	13,816
Gross unearned premiums	**(92,416)**	**-**	**(92,416)**	31,446	-	31,446
Unearned reinsurance commission income	**229**	**-**	**229**	(1,253)	-	(1,253)
Gross outstanding claims	**(7,209)**	**-**	**(7,209)**	(7,884)	-	(7,884)
Gross claims incurred but not reported	**(31,952)**	**-**	**(31,952)**	43,567	-	43,567
Premium deficiency reserve	**(9,945)**	**-**	**(9,945)**	9,945	-	9,945
Gross mathematical reserves	**(37,792)**	**-**	**(37,792)**	(20,263)	-	(20,263)
Due to related parties	**(242)**	**-**	**(242)**	(2,318)	-	(2,318)
Due to/from shareholders' operations	**25,393**	**-**	**25,393**	63,745	-	63,745
	(85,724)	**(21,762)**	**(107,486)**	105,002	(60,265)	44,737
Zakat and income tax paid	**-**	**(1,080)**	**(1,080)**	-	-	-
End of service indemnities paid	**(278)**	**-**	**(278)**	(530)	-	(530)
Net cash (used in) / generated from operating activities	**(86,002)**	**(22,842)**	**(108,844)**	104,472	(60,265)	44,207
CASH FLOWS FROM INVESTING ACTIVITIES						
Disposals in short term deposits	**79,051**	**28,000**	**107,051**	15,000	49,000	64,000
Additions in short term deposits	**(35,139)**	**-**	**(35,139)**	(79,051)	(28,000)	(107,051)
Disposals in investments- Available for sale	**-**	**35,000**	**35,000**	-	-	-
Additions in long term deposits	**-**	**(29,000)**	**(29,000)**	(29,000)	(60,000)	(89,000)
Disposals in long term deposits	**29,000**	**-**	**29,000**	-	-	-
Purchase of property and equipment	**(173)**	**-**	**(173)**	(1,461)	-	(1,461)
Purchase of intangible assets	**(401)**	**-**	**(401)**	(461)	-	(461)
Net cash generated / (used in) from investing activities	**72,338**	**34,000**	**106,338**	(94,973)	(39,000)	(133,973)
CASH FLOWS FROM FINANCING ACTIVITIES						
Transaction costs on issue of share capital	**-**	**(210)**	**(210)**	-	-	-
Net cash (used in) financing activities	**-**	**(210)**	**(210)**	**-**	**-**	**-**
Net change in cash and cash equivalents	**(13,664)**	**10,948**	**(2,716)**	9,499	(99,265)	(89,766)
Cash and cash equivalents, beginning of the year	**54,284**	**4,737**	**59,021**	44,785	104,002	148,787
Cash and cash equivalents, end of the year	**40,620**	**15,685**	**56,305**	54,284	4,737	59,021
NON-CASH INFORMATION						
Remeasurement of end of service indemnities	**375**	**-**	**375**	**-**	**-**	**-**
Unrealized gain / (loss) on available for sale investments	**-**	**(126)**	**(126)**	**-**	**-**	**-**
Capital reduction	**-**	**(170,000)**	**(170,000)**			

26 COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform to current year presentation.

27 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors of the Company, on 20 Rajab 1440H, corresponding to 27 March 2019 G.

Chairman of the Board of Directors	Chief Executive Officer	Chief Financial Officer