ALAHLI TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

ALAHLI TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

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Independent Auditors' Report

To the Shareholders of AlAhli Takaful Company (A Saudi Joint Stock Company)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of AlAhli Takaful Company – a Saudi Joint Stock Company (the "Company"), which comprise the statement of financial position as at 31 December 2018, and the related statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 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 for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are 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 endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Independent Auditors' Report

To the Shareholders of AlAhli Takaful Company (A Saudi Joint Stock Company) (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Technical Reserve for Insurance Operations and Incurred But Not Reported (IBNR) reserves (jointly referred as "technical reserves") *The Company's accounting policy related to technical reserve for insurance operations and IBNR reserves are described in note 3 to the financial statements.* Technical Reserve for Insurance Operations represents the largest liability for the Company totaling SR 654.2 million as at 31 December 2018 and consist of the following: o Technical reserves relating to the Particpant Investment Strategies (unit liability) o Allowance for retained risk IBNR reserves amounted to SR 7.2 million as at 31 December 2018. A range of methods is used to determine these technical reserves. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amounts and settlement patterns of claims. The Company also involves an independent actuary to calculate the technical reserves. The Company exercises significant judgments including a number of subjective assumptions when determining both the timing and the amounts of the technical reserves. Changes in the assumptions used to value the reserves can lead to material impact on the valuation of technical reserves. Because of the significance of the judgments involved, assumptions used and the magnitude of the total balance, technical reserves have been considered as a key audit matter.	We have performed test of key controls over the claims administration and the valuation of individual reported claims reserves to confirm the operating effectiveness of those key controls. We also tested the completeness and accuracy of the underlying data used in the actuarial calculations by performing reconciliations on the underlying data to the financial ledger and the actuarial data used by the Company's independent actuary while calculating the technical reserves for insurance operations. In addition, we have involved our actuarial specialist to: o Assess the approach and methodology used by the management in calculating required technical reserve. o Review key assumptions and judgments used by management in calculating technical reserve. o Assess the compliance of actuarial report on technical reserves with the professional guidance available. o Assess consistency in applying the reserving methodology across periods. We also assessed the adequacy of the financial statements disclosures with respect to technical reserves.

Independent Auditors' Report

To the Shareholders of AlAhli Takaful Company (A Saudi Joint Stock Company) (continued)

Other Information included in the Company's 2018 Annual Report

Management is responsible for the other information. Other information comprises the information included in the Company's 2018 annual report but does not include 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 when it becomes available 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 Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as modified by SAMA for the accounting of zakat and income tax, the applicable requirements of the Companies' Law and the Company's By-laws, and for such internal control as management determine 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, management is 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 management 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.

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 ISAs that are 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.

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Independent Auditors' Report

To the Shareholders of AlAhli Takaful Company (A Saudi Joint Stock Company) (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISA that are 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 management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 included in our report as 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.

For/ Ernst & Young

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Certified Accountant
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For/ Baker Tilly MKM & Co.

Ayad Alseraihi
Certified Accountant
License 405

Jeddah, Kingdom of Saudi Arabia
24 Rajab 1440 H
31 March 2019

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ترخيص مهني رقم ٤٥
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ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 SR'000	2017 SR'000
ASSETS			
Cash and cash equivalents	4	**18,871**	26,671
Contributions and reinsurance receivables, net	5	**74,073**	13,277
Reinsurance share of unearned contributions	6	**3,187**	3,312
Reinsurance share of outstanding claims	14	**40,690**	21,094
Unit-linked investments	7	**647,075**	694,409
Investments	8	**286,613**	321,070
Accrued income	23	**429**	439
Due from a related party	23	**-**	109
Prepayments and other assets	9	**5,493**	5,559
Furniture, fittings and office equipment	10	**1,712**	2,000
Intangible assets	11	**2,347**	3,809
Statutory deposit	12	**16,667**	16,667
Accrued income on statutory deposit		**1,464**	1,093
TOTAL ASSETS		**1,098,621**	1,109,509
LIABILITIES			
Accrued expenses and other liabilities	16	**35,724**	26,827
Reinsurance balances payable		**46,389**	51,073
Unearned contributions	6	**4,974**	4,998
Technical Reserve for Insurance Operations	13	**654,225**	710,625
Outstanding claims	14	**66,875**	23,700
Incurred But Not Reported (IBNR) reserves	14	**7,197**	6,268
Due to related parties	23	**2,349**	1,948
End-of-service indemnities	17	**1,809**	1,758
Surplus from Insurance Operations		**19,010**	17,698
Zakat and income tax	18	**23,860**	22,422
Dividends payable		**8**	7
Accrued income payable to SAMA		**1,464**	1,093
TOTAL LIABILITIES		**863,884**	868,417
EQUITY			
Share capital	19	**166,667**	166,667
Statutory reserve	20	**28,427**	26,343
Retained earnings		**39,619**	48,082
TOTAL SHAREHOLDERS' EQUITY		**234,713**	241,092
Remeasurement reserve of defined benefit obligation - related to Insurance operations	17	**24**	-
TOTAL EQUITY		**234,737**	241,092
TOTAL LIABILITIES AND EQUITY		**1,098,621**	1,109,509

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 32 form an integral part of these financial statements.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

STATEMENT OF INCOME

For the year ended 31 December 2018

	Notes	2018 SR'000	2017 SR'000
REVENUE			
Gross written contributions	6	**338,346**	353,113
Investible contributions, net	13	**(161,430)**	(184,902)
Net Insurance contributions		**176,916**	168,211
Contributions ceded:			
Local		**-**	-
Foreign	6	**(105,611)**	(94,533)
Net written contributions	6	**71,305**	73,678
Change in net unearned contributions		**(101)**	(1,559)
Net contribution earned	6	**71,204**	72,119
Investment fund fee		**5,096**	5,469
TOTAL REVENUES		**76,300**	77,588
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	14	**(117,246)**	(111,807)
Reinsurance share of claims paid	14	**91,213**	98,909
Net claims paid	14	**(26,033)**	(12,898)
Change in outstanding claims, net		**(8,694)**	2,561
Changes in claim incurred but not reported, net		**(929)**	(963)
Net claims incurred		**(35,656)**	(11,300)
Changes in technical reserves, net	13	**3,907**	89
Policy acquisition costs		**(2,920)**	(5,652)
Other underwriting expenses		**(1,693)**	(1,766)
TOTAL UNDERWRITING COSTS AND EXPENSES		**(36,362)**	(18,629)
NET UNDERWRITING INCOME		**39,938**	58,959
OTHER OPERATING INCOME/(EXPENSES)			
Reversal of/(additions to) doubtful debts allowance	5.1	**770**	(322)
Provision against outstanding claims receivable from a reinsurer	14	**(14,885)**	-
General and administration expenses	21	**(27,928)**	(27,166)
Unrealised gain on FVIS investments		**5,543**	7,047
Realised gain on FVIS investments		**435**	572
Realised gain on available-for-sale investments, net		**-**	727
Other income	22	**7,860**	3,016
TOTAL OTHER OPERATING EXPENSES		**(28,205)**	(16,126)
Net income for the year		**11,733**	42,833
Net income attributed to the insurance operations		**(1,312)**	(4,302)
Net income for the year attributable to the shareholders		**10,421**	38,531
Weighted average number of ordinary shares outstanding (in thousands)		**16,667**	16,667
Basic earnings per share for the year (SR)		**0.63**	2.31

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 32 form an integral part of these financial statements.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 SR'000	2017 SR'000
Net income for the year attributable to the shareholders		**10,421**	38,531
Other comprehensive income			
Items that may be reclassified to statement of income in subsequent years			
Transferred to statement of income on disposal		-	(1,155)
Items that will not be reclassified to statement of income in subsequent years			
Actuarial gains on defined benefit obligation – related to Insurance operations	17	**24**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**10,445**	37,376

Director

Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 32 form an integral part of these financial statements.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Related to shareholders						
	Share capital SR'000	*Statutory reserve SR'000*	*Retained earnings SR'000*	*Cumulative changes in fair value of available-for-sale investments SR'000*	*Total shareholders' equity SR'000*	*Remeasurement reserve of defined benefit obligation – related to insurance operations SR'000*	*Total SR'000*
Balance at 1 January 2018	**166,667**	**26,343**	**48,082**	**-**	**241,092**	**-**	**241,092**
Net income for the year	-	-	**10,421**	-	**10,421**	-	**10,421**
Other comprehensive income	-	-	-	-	-	**24**	**24**
Total comprehensive income	-	-	**10,421**	-	**10,421**	**24**	**10,445**
Dividend (note 28)	-	-	**(12,500)**	-	**(12,500)**	-	**(12,500)**
Zakat for the year (note 18)	-	-	**(5,669)**	-	**(5,669)**	-	**(5,669)**
Income tax for the year (note 18)	-	-	**(664)**	-	**(664)**	-	**(664)**
Income tax recovered from non-Saudi shareholders (note 18)	-	-	**1,091**	-	**1,091**	-	**1,091**
Prior years income tax recovered from GAZT as per refund notice	-	-	**1,370**	-	**1,370**	-	**1,370**
Payment for previously recovered amount to a non-Saudi shareholder exempted from tax	-	-	**(428)**	-	**(428)**	-	**(428)**
Transfer to statutory reserve	-	**2,084**	**(2,084)**	-	-	-	-
Balance as at 31 December 2018	**166,667**	**28,427**	**39,619**	-	**234,713**	**24**	**234,737**

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 32 form an integral part of these financial statements.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2018

	Related to shareholders						
	Share capital SR '000	*Statutory reserve SR '000*	*Retained earnings SR '000*	*Cumulative changes in fair value of available-for-sale investments SR '000*	*Total shareholders' equity SR '000*	*Remeasurement reserve of defined benefit obligation – related to insurance operations SR '000*	*Total SR '000*
Balance at 1 January 2017	166,667	18,637	29,248	1,155	215,707	-	215,707
Net income for the year	-	-	38,531	-	38,531	-	38,531
Other comprehensive income	-	-	-	(1,155)	(1,155)	-	(1,155)
Total comprehensive income	-	-	38,531	(1,155)	37,376	-	37,376
Dividend (note 28)	-	-	(8,333)	-	(8,333)	-	(8,333)
Zakat for the year (note 18)	-	-	(4,495)	-	(4,495)	-	(4,495)
Income tax for the year (note 18)	-	-	(653)	-	(653)	-	(653)
Income tax recovered from non-Saudi shareholders (note 18)	-	-	1,490	-	1,490	-	1,490
Prior years income tax recovered from GAZT as per refund notice	-	-	-	-	-	-	-
Payment for previously recovered amount to a non-Saudi shareholder exempted from tax	-	-	-	-	-	-	-
Transfer to statutory reserve	-	7,706	(7,706)	-	-	-	-
Balance as at 31 December 2017	166,667	26,343	48,082	-	241,092	-	241,092

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 32 form an integral part of these financial statements.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 SR'000	2017 SR'000
OPERATING ACTIVITIES			
Net income for the year attributable to shareholders		**10,421**	38,531
Adjustments for:			
Net income attributed to the insurance operations		**1,312**	4,302
Depreciation	10	**829**	664
Amortization of intangible assets	11	**1,755**	1,657
End-of-service indemnities	17	**503**	472
(Reversal of)/addition to doubtful debts allowance	5	**(770)**	322
Provision against outstanding claims receivable from a reinsurer	14	**14,885**	-
Realised gain on sale of available-for-sale investments		**-**	(727)
Unrealised gain on re-measurement of FVIS investments		**(5,543)**	(7,047)
Income before changes in operating assets and liabilities		**23,392**	38,174
Changes in operating assets and liabilities:			
Unit-linked investments		**47,334**	55,362
Contributions and reinsurance receivables		**(60,026)**	(8,717)
Due from a related party		**109**	(109)
Prepayments and other assets and accrued income		**76**	(872)
Reinsurance share of unearned contributions		**125**	(3,154)
Unearned contributions		**(24)**	4,713
Reinsurance share of outstanding claims		**(34,481)**	18,707
Technical Reserve for Insurance Operations		**(56,400)**	(51,681)
Incurred But Not Reported (IBNR) reserves		**929**	963
Outstanding claims		**43,175**	(21,268)
Reinsurance balances payable		**(4,684)**	(4,520)
Due to related parties		**401**	784
Accrued and other liabilities		**8,897**	534
Accrued income on statutory deposit		**(371)**	(318)
Accrued income payable to SAMA		**371**	318
Cash (used in)/from operations		**(31,177)**	28,916
Zakat and income tax paid	18	**(4,895)**	(2,106)
End-of-service indemnities paid	17	**(428)**	(298)
Net cash (used in)/from operating activities		**(36,500)**	26,512
INVESTING ACTIVITIES			
Purchase of furniture, fittings and office equipment	10	**(541)**	(841)
Additions to intangible assets	11	**(293)**	(507)
Redemption of FVIS investments	8	**40,000**	95,000
Purchase of FVIS investments		**-**	(114,721)
Proceeds from disposal of available-for-sale investments		**-**	9,721
Net cash from/(used in) investing activities		**39,166**	(11,348)

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 32 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2018

	Notes	2018 SR'000	2017 SR'000
FINANCING ACTIVITIES			
Dividend paid		**(12,499)**	(9,016)
Income tax recovered from non-Saudi shareholders		**663**	1,490
Prior years income tax recovered from GAZT as per refund notice		**1,370**	-
Net cash used in financing activities		**(10,466)**	(7,526)
Net (decrease)/increase in cash and cash equivalents		**(7,800)**	7,638
Cash and cash equivalents at the beginning of the year		**26,671**	19,033
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	**18,871**	26,671

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 32 form an integral part of these financial statements.

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

AlAhli Takaful Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030171573 dated 21 Rajab 1428H, corresponding to 4 August 2007. The following is the address of the Company's registered office:

P. O. Box 48510,
Al Khalidiyah Business Center,
Prince Sultan Street,
Jeddah 21582,
Kingdom of Saudi Arabia.

The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. The Company commenced its commercial operations on 4 February 2008. The Company was listed on the Saudi Stock Exchange on 18 August 2007.

2 BASIS OF PREPARATION

a) Basis of presentation and measurement

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as modified by 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 April 11, 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 basis and the historical cost convention, except for the measurement of investments at their fair value. The Company's statement of financial position has presented in order of liquidity. Except for furniture, fittings and office equipment, statutory deposit and related accrued income, end-of-service indemnities, outstanding claims, claims incurred but not reported and technical reserve for insurance operations, all other assets and liabilities are of short-term nature, unless, stated otherwise.

As required by the Saudi Arabian Insurance Regulations (the Implementation Regulations), the Company maintains separate books of accounts for "Insurance Operations" and "Shareholders' Operations". Accordingly, assets, liabilities, revenues and expenses clearly attributable to either operation, are recorded in the respective accounts. The Company's financial statements until 31 December 2017, presented separately the statement of financial position, statements of income, comprehensive income and cash flows for the insurance operations and shareholders' operations.

During the current year, under the supervision of SAMA, the insurance companies' management prepared and adopted the illustrative financial statements for the insurance sector in the Kingdom of Saudi Arabia. In preparing the Company level financial statements in compliance with IFRS as modified by SAMA, the balances and transactions of insurance operations are combined with those of shareholders' operations. Inter-operation balances and transactions, if any, are eliminated in full. The accounting policies adopted for the insurance and shareholders' operations are uniform for like transactions and events in similar circumstances.

In preparing these financial statements the comparative amounts were also combined to conform with the current year presentation in line with SAMA requirements and this has no impact on the previously reported net profit and retained earnings. However, note 30 to these financial statements provides the statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders operations, separately.

b) Functional and presentation currency

The financial statements are presented in Saudi Arabian Riyals (SR), which is the functional currency of the Company. All financial information presented in SR has been rounded off to the nearest thousand, unless otherwise indicated.

2 BASIS OF PREPARATION (continued)

c) Use of estimates and judgements

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures. Actual results may differ from these estimates. Estimates, assumptions and judgements are reviewed on ongoing basis. Revisions to estimates are recognised prospectively. Information about judgements, assumptions and estimation uncertainties that have most significant effect on amounts recognised in these financial statements are given below.

Provision for outstanding claims
Judgement by management is required in the estimation of amounts due to participants arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Company estimates its claims based on its previous experience of its insurance portfolio. Claims requiring court or arbitration decisions, if any, are estimated individually. Management reviews its provisions for claims incurred, and claims incurred but not reported (IBNR), on a quarterly basis. Any difference between the provisions at the statement of financial position date and settlements and provisions in the following year is included in the statement of income for that year. The provision for outstanding claims, as at 31 December, is also certified by an independent actuary.

Premium deficiency reserve
Estimation of the premium deficiency reserve is highly sensitive to a number of assumptions as to the future events and conditions. It is based on an expected loss ratio for the unexpired portion of the risk for written policies. To arrive at the estimate of the expected loss ratio, the actuary considers the claims and contribution relationship which are expected to apply in future.

Allowance for doubtful receivables
A provision for impairment of contributions receivable is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the contributions receivable are impaired.

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are summarised below. These policies have been consistently applied to each of the years presented except for adoption of the amendments to existing standards, IFRS 15 and accounting policy related to employees-end-of-service indemnities as discussed below:

a) New IFRS, IFRIC and amendments thereof, adopted by the Company

The Company has adopted the following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB):

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

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

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within the IFRS. IFRS 15 does not apply to "revenue from insurance contracts". However, entities will need to apply IFRS 15 to non-insurance contracts (or components of insurance contracts).

The Company's management has assessed and concluded that there is no material impact on the amounts reported at transition to IFRS 15 on 1 January 2018.

Employees-end-of-service indemnities

Accruals are made at the present value of expected future payments in respect of services provided by the employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. The benefit payments obligation is discharged as and when it falls due. Re-measurements (actuarial gains/ losses) as a result of experience adjustments and changes in actuarial assumptions are recognized in statement of comprehensive income.

The impact of the above accounting policy on the previous years was not significant to the financial statements.

b) Standards issued but not yet effective

The following are the standards issued but not yet effective up to the date of issuance of the Company's financial statements. The Company intends to adopt these standards when they become effective.

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

In July 2014, the IASB published IFRS 9 Financial Instruments which replaced IAS 39 Financial Instruments: Recognition and Measurement. The standard incorporates new classification and measurement requirements for financial assets, introduces an expected credit loss (ECL) impairment model which replaces 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 statement of income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

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

- IFRS 9 requires entities to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through statement of income as well as finance lease receivables, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. Under IFRS 9, credit losses are recognised earlier than under IAS 39.
- 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 2022. The overlay approach allows an entity to remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contracts standard is applied.

Under the temporary exemption as introduced by amendments to IFRS 4, the reporting entities whose activities predominantly relate to “insurance” can defer the implementation of IFRS 9. The Company having assessed the implications and has concluded to defer the implementation of IFRS 9 until a later date which will not be later than 1 January 2022.

The impact of the adoption of IFRS 9 on the Company’s financial statements will, to a large extent, have to take into account the interaction with the forthcoming 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. The Company is currently in the phase of assessing the impact of the above standards.

c) The significant accounting policies used in the preparation of these financial statements are set out below:

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and balances with banks.

Contributions receivable
Contributions receivable are recognised when due and measured on initial recognition at the fair value of the considerations received or receivable. The carrying value of contributions receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Any impairment loss is recorded in the statement of income. Contributions receivables are derecognised when the de recognition criteria for financial assets have been met.

Financial instruments – recognition and measurement
Financial assets consist of cash and cash equivalents, contributions receivable, reinsurance receivables, statutory deposit, unit linked investments, FVIS and AFS investments, due from Insurance Operations and other receivables. Financial liabilities consist of outstanding claims, reinsurance balances payable, amounts due to related parties, due to Shareholders’ Operations and certain other liabilities.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) The significant accounting policies used in the preparation of these financial statements are set out below (continued):

Financial instruments – recognition and measurement (continued)

Date of recognition
Regular way sale and purchases of financial instruments are recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. Regular way purchases or sales are purchases or sales of financial instruments that require settlement of the instrument within the time frame generally established by regulation or convention in the market place.

Recognition and measurement of financial instruments
Financial instruments are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through income statement, any directly attributable incremental costs of acquisition or issue. The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. Subsequent to initial measurement, financial instruments are carried at amortised cost except for unit linked investments, AFS investments and FVIS investments, which are carried at fair value.

De-recognition

Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when:

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

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

Financial liabilities
A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

Unit-linked investments
Unit-linked investments held to cover unit-linked liabilities represent assets associated with certain contracts, for which the investment risk lies predominantly with the contract holder. These represent investments in short-term Murabaha funds, which are readily marketable, and are initially recognised at cost and subsequently remeasured at fair value. Unrealised gain on these investments is transferred to investment contract liabilities. The fair value is determined by reference to the net asset value quoted by the Fund Manager. Where partial holdings are sold, the cost of investments is calculated on a weighted average basis.

Fair Value through Income Statement (FVIS) investments
The FVIS investments represent investments in a discretionary portfolio by shareholder operations and investment by Insurance Operations in a mutual fund. FVIS Investments are marked-to-market using the fund's net asset value (NAV). The resultant realised and unrealised gains and losses are recognised in the statement of income accordingly. Where partial holdings are sold, the cost of investments is calculated on a weighted average basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) The significant accounting policies used in the preparation of these financial statements are set out below (continued):

Available-for-sale investments
Investments which are classified as "available-for-sale" are subsequently measured at fair value. Available-for-sale investments are those investments that are not held to maturity nor held for trading. For an available-for-sale investment, any unrealised gain or loss arising from a change in its fair value is recognised directly under shareholders' comprehensive income until the investment is derecognised or impaired at which time the cumulative gain or loss previously recognised under the statement of comprehensive income is included in the statement of changes in equity for the year. Available-for-sale investments whose fair value cannot be reliably measured are carried at cost less impairment provision.

Impairment of financial assets
The Company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. If such evidence exists, any impairment loss is recognised in the statement of income. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of income or the statement of changes in equity.
(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
(c) For assets carried at amortized cost, impairment is the difference between the carrying amount and the present value of future cash flows discounted at the original effective commission rate.

Fair values
The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the financial reporting date. If quoted market prices are not available, reference is made to broker or dealer price quotations.

For financial assets where there is not an active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same and/or discounted cash flow analysis. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for similar assets.

Prepayments
Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to statement income as they are consumed or expire with the passage of time.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) The significant accounting policies used in the preparation of these financial statements are set out below (continued):

Furniture, fittings and office equipment
Furniture, fittings and office equipment is measured at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets. Work in progress is not depreciated and is carried at cost. The estimated useful lives of the assets for calculation of depreciation are as follows:

	Years
• Furniture and fittings	5 to 10
• Computer and office equipment	4

Residual values, useful lives and the method of the depreciation are reviewed and adjusted if appropriate at each financial year end. Impairment reviews take place when events or changes in circumstances indicate that the carrying value may not be recoverable. The depreciation charge for the year is recognised in the statement of income. Similarly, impairment losses, if any, are recognised in the statement of income.

Expenditure for repairs and maintenance is charged to the statement of income. Improvements are capitalised only when it's probable that future economic benefits associated with the expenditure will flow to the Company.

Intangible assets
Intangible assets, including software's that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in statement of income on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives of computer software is 4 years.

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

The Company bases its impairment calculations on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of income and statement of changes in equity in expense categories consistent with the function of the impaired asset.

For assets, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) The significant accounting policies used in the preparation of these financial statements are set out below (continued):

Impairment of non-financial assets (continued):

Such reversal is recognised in the statement of income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Zakat and income tax
Zakat and income tax are provided for in accordance with Saudi Arabian Fiscal Regulations. Zakat and income tax, which are the liabilities of the shareholders, are accrued and debited to the retained earnings under the statement of changes in shareholders' equity. Accordingly, amounts reimbursed by the shareholders of such Zakat and income tax are credited to retained earnings.

As all Zakat and income tax charges will be recovered from the shareholders, no adjustments are made in the financial statements to account for the effects of deferred income taxes. The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

Accruals and other liabilities
Liabilities are recognized for amounts to be paid in the future for goods or services received, whether claimed by the supplier or not.

Provisions
Provisions are recognised when the Company has an obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Foreign currencies
The accounting records of the Company are maintained in Saudi Arabian Riyals. Transactions in foreign currencies are recorded at the exchange rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the statement of income. As the Company's foreign currency transactions are primarily in US dollars, to which the Saudi Arabian Riyal is pegged, foreign exchange gains and losses are not significant and have not been disclosed separately.

Product classification
The Company issues life insurance contracts which are linked to investment contracts. Where contracts contain both an investment component and an insurance component and the cash flows from the two components are distinct, the underlying amounts are unbundled. Contributions relating to the insurance component are accounted for through the statement of income and the remaining element is accounted through the Insurance Operations' statement of financial position.

Insurance contracts
Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by assessing whether an insured event could cause the Company to pay significant additional benefits. The significance of insurance risk is dependent on both the probability of an insurance 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 term of the policies, even if the insurance risk reduced significantly during this period.

Contributions, in respect of insurance contacts, are recognized as revenue over the contribution paying period of the related policies.

Investment contracts
Any contracts with customers not considered insurance contracts under International Financial Reporting Standards are classified as investment contracts. Amounts collected under investment contracts are accounted for through the statement of income, and the investible portion of the contributions collected is shown as a deduction from the gross contributions for the year from Insurance Operations, and transferred to investment contract liabilities (unit-linked contracts).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) The significant accounting policies used in the preparation of these financial statements are set out below (continued):

Technical reserve for Insurance Operations
The provision for investment contract liabilities is calculated on the basis of an actuarial valuation method through the use of current unit fund prices.

The actuarial valuation includes a provision for participation which is the amount the Company expects to pay investment contract holders.

The Technical reserve is determined by an actuarial valuation of future policy claims. Actuarial assumptions include a margin for adverse deviation and generally take account of the type of policy, year of issue and policy duration. Mortality and withdrawal rate assumptions are based on experience.

Reinsurance
The Company has modified quota-share reinsurance arrangements with independent reinsurance companies. The Company only deals with reinsurers approved by the management, which are rated at least BBB or above by international rating agencies.

A liability or asset is recorded in the Insurance Operations' statement of financial position representing contributions due to or payments due from the Reinsurer. Amounts receivable from the Reinsurer are estimated in a manner consistent with the claim liability associated with the insured parties. Receivable arising from reinsurance contracts are reviewed for impairment as part of the impairment review of receivables.

Liability adequacy test
At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the insurance contracts liabilities. In performing these tests, management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of income by establishing a provision for losses arising from liability adequacy tests (the un-expired risk provision).

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

Claims
Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, are charged to the statement of income as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Company and those not reported at the statement of financial position date.

The Company generally estimates its claims based on actuarial inputs. This includes a provision based on management's judgement and the cost of settling claims incurred but not reported at the statement of financial position date. The ultimate liability may be in excess of, or less than, the amount provided.

The Company does not discount its liability for unpaid claims.

Acquisition fees
Acquisition fees are paid to the distributing shareholder and are charged to expense as and when they are due, as per the terms of the contract.

Entrance and administration fees
Entrance and administration fees payable to the technical and distributing shareholders, by the Company, which are costs directly incurred in securing contributions on insurance certificates, are recognised as incurred and charged to expense as and when they are due, as per the terms of the contract.

Commissions
Commissions are paid to AlAhli Insurance Marketing Services Company Limited, sales staff, call centre staff, and are charged to expense as and when they are due.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) The significant accounting policies used in the preparation of these financial statements are set out below (continued):

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

Segment reporting
A segment is a distinguishable component of the Company's portfolio that is engaged in providing products or services (a business segment), which is subject to risks and rewards that are different from those of other segments and whose operating results are reviewed regularly by the chief operating decision maker to allocate resources to each segment and assess their performance.

Leases
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of income on a straight-line basis over the lease term.

4 CASH AND CASH EQUIVALENTS

2018	***Insurance operations SR'000***	***Shareholders' operations SR'000***	***Total SR'000***
Cash in hand	**12**	**-**	**12**
Cash at bank (see note 4.1)	**16,442**	**2,417**	**18,859**
Total	**16,454**	**2,417**	**18,871**

2017	*Insurance operations SR '000*	*Shareholders' operations SR '000*	*Total SR '000*
Cash in hand	9	-	9
Cash at bank (see note 4.1)	26,305	357	26,662
Total	26,314	357	26,671

4.1 Cash at bank is held in bank accounts maintained with a shareholder (National Commercial Bank) (note 23).

5 CONTRIBUTIONS AND REINSURANCE RECEIVABLES, NET

	2018 SR'000	*2017 SR'000*
Policyholders - net	**5,489**	5,142
Related parties - net (see note 23)	**66,932**	822
Receivable from reinsurers – net	**1,652**	7,313
	74,073	13,277

5 CONTRIBUTIONS AND REINSURANCE RECEIVABLES, NET (continued)

5.1 The movement in allowance for doubtful receivables during the year is as follows:

	2018 ***SR'000***	*2017* *SR'000*
Balance at the beginning	**830**	508
Charge to statement of income	**(770)**	322
	60	830

The age analysis of contributions and reinsurance receivables is as follows:

	Neither past due nor impaired	***Past due but not impaired***	***Past due and impaired***			***Total***
		From one to three months	***Above three and up to six months***	***Above six and up to twelve months***	***Above twelve months***	
	SR'000					
2018	**1,652**	**72,207**	**74**	**140**	**-**	**74,073**
2017	7,036	5,964	-	277	-	13,277

6 UNEARNED CONTRIBUTIONS

	2018		
	Gross SR'000	***Reinsurance SR'000***	***Net SR'000***
Balance at the beginning of the year	**4,998**	**(3,312)**	**1,686**
Contributions written/(ceded) during the year	**338,346**	**(105,611)**	**232,735**
Contributions earned during the year	**(338,370)**	**105,736**	**(232,634)**
Balance at the end of the year	**4,974**	**(3,187)**	**1,787**

	2017		
	Gross SR'000	*Reinsurance SR'000*	*Net SR'000*
Balance at the beginning of the year	285	(158)	127
Contributions written/(ceded) during the year	353,113	(94,533)	258,580
Contributions earned during the year	(348,400)	91,379	(257,021)
Balance at the end of the year	4,998	(3,312)	1,686

7 UNIT-LINKED INVESTMENTS

Insurance Operations

Unit-linked investments comprise units of fund of funds, denominated in United States Dollars, which are managed by a subsidiary of the Company's major shareholder and are based in the Kingdom of Saudi Arabia.

	2018 ***SR'000***	*2017* *SR'000*
Investments held to cover unit-linked liabilities:		
AlAhli Multi-Asset Conservative Fund	**356,326**	381,095
AlAhli Multi-Asset Moderate Fund	**165,177**	176,647
AlAhli Multi-Asset Growth Fund	**125,572**	136,667
	647,075	694,409

The movement in unit-linked investments during the year is as follows:

	2018 ***SR'000***	*2017* *SR'000*
Balance at the beginning of the year	**694,409**	749,771
Redemption during the year, net	**(43,000)**	(116,057)
Unrealised (losses)/gains during the year (note 13b)	**(4,334)**	60,695
Balance at the end of the year	**647,075**	694,409

8 INVESTMENTS

	2018			*2017*		
	Insurance operations SR'000 (note 8.1)	***Shareholders' operations SR'000 (note 8.2)***	***Total SR'000***	*Insurance operations SR'000 (note 8.1)*	*Shareholders' operations SR'000 (note 8.2)*	*Total SR'000*
FVIS investments	**47,805**	**238,808**	**286,613**	76,942	244,128	321,070

The carrying value and the fair value of the investments are the same.

8.1 Insurance Operations – FVIS Investments

Investments of Insurance Operations represent investments in AlAhli Diversified Saudi Riyal Trade Fund (a quoted income fund), managed by a subsidiary of the Company's major shareholder and is based in the Kingdom of Saudi Arabia. This investment is designated as a FVIS investment upon initial recognition because it is managed on a fair value basis and its performance is actively monitored.

	2018 ***SR'000***	*2017* *SR'000*
AlAhli Diversified Saudi Riyal Trade Fund	**47,805**	76,942

8 INVESTMENTS (continued)

8.1 Insurance Operations – FVIS Investments (continued)

The movement in the FVIS investments during the year ended 31 December 2018 and 31 December 2017 is as follows:

	2018 ***SR'000***	*2017* *SR'000*
Balance at the beginning of the year	**76,942**	122,156
Purchases	**-**	65,000
Redemption	**(40,000)**	(49,000)
Transferred from/(to) FVIS Shareholders' Operations (see below)	**9,667**	(62,563)
Unrealised gains	**1,196**	1,349
Balance at the end of the year	**47,805**	76,942

8.2 Shareholders' Operations – FVIS Investments

	2018 ***SR'000***	*2017* *SR'000*
AlAhli Takaful Discretionary Portfolio (note 'a')	**219,877**	215,876
Investment in a real estate fund	**6,832**	6,997
AlAhli Diversified Saudi Riyal Trade Fund	**12,099**	21,255
	238,808	244,128

AlAhli Takaful discretionary portfolio is managed by a subsidiary of the Company's major shareholder. The discretionary portfolio is invested in securities issued by financial institutions, government entities, and mutual funds which are denominated in Saudi Arabian Riyals and US Dollars.

	2018 ***SR'000***	*2017* *SR'000*
Balance at the beginning of the year	**244,128**	172,146
Purchases	**-**	49,721
Redemption	**-**	(46,000)
Transferred (to)/from FVIS Insurance Operations (see above)	**(9,667)**	62,563
Unrealised gains	**4,347**	5,698
Balance at the end of the year	**238,808**	244,128

a) AlAhli Takaful Discretionary Portfolio consists of:

	2018 ***SR'000***	*2017* *SR'000*
Mutual funds	**56,010**	44,551
Murabaha deposits	**55,519**	98,348
Equity investments	**7,340**	4,392
Investment in sukuk	**101,008**	68,585
	291,877	215,876

9 PREPAYMENTS AND OTHER ASSETS

	2018			*2017*		
	Insurance operations SR'000	***Shareholders' operations SR'000***	***Total SR'000***	*Insurance operations SR'000*	*Shareholders' operations SR'000*	*Total SR'000*
Prepaid rent	**65**	**-**	**65**	65	-	65
Advances to suppliers	**480**	**304**	**784**	764	153	917
Due from employees	**365**	**-**	**365**	563	-	563
Deposits against bank guarantee	**-**	**3,997**	**3,997**	17	3,997	4,014
Recoverable from GAZT	**-**	**269**	**269**	-	-	-
Value added input tax	**-**	**13**	**13**	-	-	-
	910	**4,583**	**5,493**	1,409	4,150	5,559

10 FURNITURE, FITTINGS AND OFFICE EQUIPMENT

	Furniture and fittings SR'000	***Computer and office equipment SR'000***	***Total 2018 SR'000***	*Total 2017 SR'000*
Cost:				
At the beginning of the year	2,015	7,468	**9,483**	8,642
Additions	86	455	**541**	841
As at 31 December	**2,101**	**7,923**	**10,024**	9,483
Accumulated depreciation:				
At the beginning of the year	1,541	5,942	**7,483**	6,819
Charge for the year	73	756	**829**	664
As at 31 December	**1,614**	**6,698**	**8,312**	7,483
Net book value				
As at 31 December 2018	**487**	**1,225**	**1,712**	
As at 31 December 2017	474	1,526		2,000

11 INTANGIBLE ASSET

	2018 ***SR'000***	*2017* *SR'000*
Cost:		
At the beginning of the year	**8,989**	8,482
Additions	**293**	507
As at 31 December	**9,282**	8,989
Accumulated amortization:		
At the beginning of the year	**5,180**	3,523
Charge for the year	**1,755**	1,657
As at 31 December	**6,935**	5,180
Net book value:		
As at 31 December	**2,347**	3,809

Intangible asset comprises of computer software.

12 STATUTORY DEPOSIT

As required by Saudi Arabian Insurance Laws and Regulations, the Company deposited 10% of its paid up capital, amounting to SR 16.67 million in a bank designated by the SAMA. The Company cannot withdraw this deposit without SAMA's approval. This deposit is held with a founding shareholder.

13 TECHNICAL RESERVES FOR INSURANCE OPERATIONS

a) A technical reserve for Insurance Operations is created, as per the report received from the Actuary, as detailed below:

	2018 ***SR'000***	*2017* *SR'000*
Technical reserve relating to the Participant Investment Strategies (unit-linked liability)	**650,843**	703,336
Allowance for the retained risk	**3,382**	7,289
	654,225	710,625

b) Movement in technical reserve for insurance operations is as follows:

	2018 ***SR'000***	*2017* *SR'000*
Balance as at the beginning of the year	**710,625**	762,306
Change in allowance for the retained risk	**(3,907)**	(89)
Unrealised (loss)/gain on unit-linked investments (note 7)	**(4,334)**	60,695
Investible contributions	**161,430**	184,902
Surrenders and maturities	**(209,589)**	(297,189)
Balance as at the end of the year	**654,225**	710,625

14 OUTSTANDING CLAIMS INCLUDING IBNR

	2018			*2017*		
	Gross SR'000	***Reinsurers' share SR'000***	***Net SR'000***	*Gross SR'000*	*Reinsurers' share SR'000*	*Net SR'000*
At 1 January						
Reported claims	**23,700**	**(21,094)**	**2,606**	44,968	(39,801)	5,167
IBNR	**6,268**	**-**	**6,268**	5,305	-	5,305
	29,968	**(21,094)**	**8,874**	50,273	(39,801)	10,472
Incurred during the year	**161,350**	**(125,694)**	**35,656**	91,502	(80,202)	11,300
(Paid)/recovered during the year	**(117,246)**	**91,213**	**(26,033)**	(111,807)	98,909	(12,898)
At 31 December	**74,072**	**(55,575)**	**18,497**	29,968	(21,094)	8,874
Adjustment: Provision against outstanding claims receivable from a reinsurer (note 'a')		**14,885**				
		(40,690)				
At 31 December						
Reported claims	**66,875**	**(55,575)**	**11,300**	23,700	(21,094)	2,606
IBNR	**7,197**	**-**	**7,197**	6,268	-	6,268
	74,072	**(55,575)**	**18,497**	29,968	(21,094)	8,874
Adjustment: Provision against outstanding claims receivable from a reinsurer (note 'a')		**14,885**				
		(40,690)				

a) Provision for losses related to the provisional notice of cancellation for reinsurance agreement by the reinsurer.

15 CLAIMS DEVELOPMENT TABLE

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

15 CLAIMS DEVELOPMENT TABLE (continued)

Claims triangulation analysis by accident year spanning a number of financial years is as follows:

Gross Accident year	*2014*	*2015*	*2016*	*2017*	***2018***	***Total***
	SR'000	*SR'000*	*SR'000*	*SR'000*	***SR'000***	***SR'000***
At end of accident year	67,510	45,069	61,860	93,177	**113,089**	
One year later	99,850	75,850	91,024	121,994	**-**	
Two years later	102,592	77,758	91,173	-	**-**	
Three years later	104,845	77,828	-	-	**-**	
Four years later	107,332	-	-	-	**-**	
Current estimate of cumulative claims incurred	107,332	77,828	91,173	121,994	**113,089**	**511,416**
Cumulative payments to date	(101,230)	(77,237)	(90,074)	(107,289)	**(68,711)**	**(444,541)**
Total reported claims	6,102	591	1,099	14,705	**44,378**	**66,875**
IBNR						**7,197**
Total outstanding claims (note 14)						**74,072**

Net Accident year	*2014*	*2015*	*2016*	*2017*	***2018***	***Total***
	SR'000	*SR'000*	*SR'000*	*SR'000*	***SR'000***	***SR'000***
At end of accident year	10,944	6,375	9,774	9,018	**21,967**	
One year later	16,386	9,515	14,281	11,850	**-**	
Two years later	16,923	9,764	14,315	-	**-**	
Three years later	17,138	9,778	-	-	**-**	
Four years later	17,309	-	-	-	**-**	
Current estimate of cumulative claims incurred	17,309	9,778	14,315	11,850	**21,967**	**75,219**
Cumulative payments to date	(16,758)	(9,709)	(14,149)	(10,271)	**(13,032)**	**(63,919)**
Total reported claims	551	69	166	1,579	**8,935**	**11,300**
IBNR						**7,197**
Total outstanding claims (note 14)						**18,497**

16 ACCRUED EXPENSES AND OTHER LIABILITIES

	2018			*2017*		
	Insurance operations SR'000	***Shareholders' operations SR'000***	***Total SR'000***	*Insurance operations SR'000*	*Shareholders' operations SR'000*	*Total SR'000*
Accrued expenses and other payable (*)	**12,966**	**3,894**	**16,860**	7,678	4,868	12,546
Underwriting expenses	**13,080**	-	**13,080**	7,588	-	7,588
Policies surrendered	**2,315**	-	**2,315**	2,458	-	2,458
Advance contribution	**3,469**	-	**3,469**	4,235	-	4,235
Total	**31,830**	**3,894**	**35,724**	21,959	4,868	26,827

(*) Accrued expenses and other liabilities for shareholders' operations include remuneration and other expenses payable to the Board and other committee members which amounted to SR 3,143 thousand (2017: SR 3,153 thousand) (note 23).

17 END OF SERVICE INDEMNITIES

Accruals are made in accordance with the actuarial valuation under the projected unit credit method while the benefit payments obligation is discharged as and when it falls due.

17.1 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 SR'000
Present value of defined benefit obligation	**1,809**

17.2 Movement of defined benefit obligation

	2018 SR'000
Opening balance	**1,758**
Charge to statement of income	**503**
Charge to statement of other comprehensive income	**(24)**
Benefits paid during the year	**(428)**
Closing balance	**1,809**

17.3 Reconciliation of present value of defined benefit obligation

	2018 SR'000
Balance at beginning of the year	**1,758**
Current service costs	**433**
Financial costs	**70**
Actuarial loss from experience adjustments	**(24)**
Benefits paid during the year	**(428)**
	1,809

17.4 Principal actuarial assumptions

The following range of significant actuarial assumptions was used by the Company for the valuation of defined benefit obligation liability:

	2018
Valuation discount rate	**4%**
Expected rate of increase in salary level across different age bands	**5%**

17 END OF SERVICE INDEMNITIES (continued)

The impact of changes in sensitivities on present value of defined benefit obligation is as follows:

	2018 SR'000
Valuation discount rate	
- Increase by 1%	**1,656**
- Decrease by 1%	**1,989**
Expected rate of increase in salary level across different age bands	
- Increase by 1%	**1,985**
- Decrease by 1%	**1,655**
Mortality rate	
- Increase by 10%	**1,809**
- Decrease by 10%	**1,809**
Employee turnover	
- Increase by 10%	**1,789**
- Decrease by 10%	**1,831**

The average duration of the defined benefit plan obligation at the end of the reporting period is 10.15 years.

Expected cash flows over the next years valued on undiscounted basis are as following:

	2018 SR'000
1 year	**166**
2 to 5 years	**448**
6 to 10 years	**769**
More than 10 years	**1,362**

18 ZAKAT AND INCOME TAX

The Zakat and income tax payable by the Company has been calculated based on the best estimates of the management.

The movement in Zakat and income tax payable for the year ended 31 December 2018 and 31 December 2017 is as follows:

	Zakat 2018 SR'000	*Tax 2018 SR'000*	*2018 SR'000*	*2017 SR'000*
Balance at the beginning of the year	**21,693**	**729**	**22,422**	19,380
Charge for the year	**5,669**	**664**	**6,333**	5,148
Zakat and income tax paid	**(3,777)**	**(1,118)**	**(4,895)**	(2,106)
Balance at the end of the year	**23,585**	**275**	**23,860**	22,422

Status of assessments

Zakat and income tax returns have been submitted to the General Authority of Zakat and Tax (GAZT) for the period ended 31 December 2007 and for the years ended 31 December 2008 through 2017.

The GAZT raised an assessment for the period ended 31 December 2007 and for the years ended 31 December 2008 and 2009 demanding additional Zakat and withholding tax liability of SR 3,997 thousand. The Company filed an appeal against additional Zakat liability of SR 3,921 thousand and paid additional withholding tax of SR 76 thousand and a delay penalty of SR 26 thousand under protest. The Preliminary Appeal Committee [PAC] issued their decision upholding GAZT's treatment. The Company has filed an appeal against the PAC decision with the Higher Appeal Committee [HAC] and submitted a bank guarantee for the amount under dispute. The HAC rendered its decision in favour of the Company on certain items. The Company has filed an appeal against the HAC decision with the Board of Grievances [BOG]. The management is confident of a favourable outcome from the BOG.

18 ZAKAT AND INCOME TAX (continued)

Status of assessments (continued)

The GAZT has issued assessments for the years 2010 through 2012, demanding additional Zakat liability of SR 3,680 thousand and withholding tax liability of SR 1,189 thousand. The Company filed an appeal with GAZT against these assessments and the management is confident of a favourable outcome. However, the Company settled zakat for years 2010 to 2012 of SR 3,052 thousand while objecting on certain items. The GAZT has issued only revised assessments for the years 2010 through 2012 which claiming additional Zakat liability of SR 400 thousand. The Company's objection for Zakat and tax was transferred to the related Committee to assign a hearing session for discussion. With respect to WHT, the Company's objection is still under study.

The GAZT has issued initial assessments for the years 2013 through 2014, demanding additional Zakat liability of SR 2,585 thousand and SR 2,622 thousand, respectively. The Company filed an appeal with GAZT against these assessments and the management is confident of a favourable outcome. The GAZT has not yet raised any assessment for 2015, 2016 and 2017.

19 SHARE CAPITAL

The authorized, issued and paid up share capital of the Company is SR 166.7 million consisting of 16.67 million shares (2017: 16.67 million) of SR 10 each and subscribed by the following:

	% holding		*2018*	*2017*
	2018	*2017*	***SR'000***	*SR'000*
Founding Shareholders	**46.22**	51.26	**77,022**	85,418
General public	**53.78**	48.74	**89,645**	81,249
	100	100	**166,667**	166,667

20 STATUTORY RESERVE

As required by Saudi Arabian Insurance Laws and Regulations, 20% of the net shareholders' income shall be set aside as a statutory reserve until this reserve amounts to 100% of paid capital.

21 GENERAL AND ADMINISTRATIVE EXPENSES

	2018			*2017*		
	Insurance operations SR'000	***Shareholders' operations SR'000***	***Total SR'000***	*Insurance operations SR'000*	*Shareholders' operations SR'000*	*Total SR'000*
Staff costs	**12,005**	**-**	**12,005**	12,430	-	12,430
Repair and maintenance	**406**	**-**	**406**	345	-	345
Utilities, postage and telecommunications	**221**	**-**	**221**	375	-	375
Rent	**714**	**-**	**714**	714	-	714
Legal and professional fees	**210**	**2,455**	**2,665**	27	3,103	3,130
Information Technology expenses	**4,529**	**-**	**4,529**	2,666	-	2,666
Depreciation (note 10)	**829**	**-**	**829**	664	-	664
Amortization (note 11)	**1,755**	**-**	**1,755**	1,657	-	1,657
Value added tax	**449**	**124**	**573**	-		-
Other expenses	**958**	**470**	**1,428**	1,208	642	1,850
Regulatory fee	**-**	**326**	**326**	-	335	335
Board and committees remuneration (note 23)	**-**	**1,917**	**1,917**	-	2,184	2,184
Board and committees attendance fees (note 23)	**-**	**560**	**560**	-	470	470
Board and committees' expenses	**-**	**-**	**-**	-	346	346
Total	**22,076**	**5,852**	**27,928**	20,086	7,080	27,166

21 GENERAL AND ADMINISTRATIVE EXPENSES (continued)

a) Board and committees remuneration is paid in accordance with by-laws of the Company.
b) Board and committees attendance fee represents allowances for attending board meetings and committee meetings.
c) Board and committees expenses include fee for accommodation, travel and other related expenses.

22 OTHER INCOME

	2018 ***SR'000***	*2017* *SR'000*
Surplus from reinsurance	**2,039**	2,749
Provisions no longer required	**5,821**	-
Dividend received	**-**	267
	7,860	3,016

23 TRANSACTIONS WITH RELATED PARTIES

Related parties represent major shareholders, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. All transactions with such related parties are conducted on normal terms and conditions, which are approved by management.

Following are the details of related party transactions during the years ended 31 December 2018 and 2017:

Name	**Relationship**	**Nature of transactions**	***Amount of transactions*** ***2018*** ***SR'000***	*2017* *SR'000*
National Commercial Bank	Shareholder	Gross Group Insurance contributions	**137,150**	122,043
		Gross claims paid	**106,137**	110,406
AlAhli Insurance Marketing Services Company Limited	Subsidiary of a shareholder	Agency commission and others	**432**	2,519
FWU	Shareholder	Administration fee	**1,888**	2,358
NCB Capital	Subsidiary of a shareholder	Investment fund fee	**5,096**	5,469
Key management personnel		Short-term benefits	**3,662**	3,611
		End of service benefits	**145**	161

23 TRANSACTIONS WITH RELATED PARTIES (continued)

a. Receivable from/(payable) to related parties

	2018 ***SR'000***	*2017* *SR'000*
Receivable from National Commercial Bank - a shareholder, net (note 5)	**66,932**	822
Accrued investment fund fee receivable from subsidiary of a shareholder	**429**	439
Receivable from NCB Capital – subsidiary of a shareholder	**-**	109
Payable to FWU – a shareholder	**(143)**	(173)
Payable to AlAhli Insurance Marketing Services Company Limited - subsidiary of a shareholder	**(2,206)**	(1,775)
	(2,349)	(1,948)
Outstanding claims payable to National Commercial Bank - a shareholder – gross	**(60,891)**	(18,244)

b. Board of directors' remuneration and related expenses

Following are the details of Board of Directors' and members of other committees' remuneration and related expenses during the years ended 31 December 2018 and 31 December 2017:

	Amount of transactions	
	2018 ***SR'000***	*2017* *SR'000*
Board and other committees' remuneration (note 21)	**1,917**	2,184
Board and other committees' attendance fees (note 21)	**560**	470
Board accommodation and travel (note 21)	**-**	346

In addition to the disclosures set out in notes 4, 5, 7, 8 and 12 relating to related parties, amount due from and due to related parties as shown in the Statement of Financial Position, further payable to related parties are as following:

	2018 ***SR'000***	*2017* *SR'000*
Remuneration and other expenses payable to Board and other committees (note 16)	**(3,143)**	(3,153)

24 OPERATING SEGMENT INFORMATION

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 who makes strategic decisions. For management purposes, the activities of Insurance Operations, which are all in the Kingdom of Saudi Arabia, are reported under two business units, as detailed below:

- Insurance – individual segment offers life insurance products on an individual basis including unit linked investment oriented products.

- Insurance – group life segment offers life protection programmes to the members of organizations on a group basis and credit's protection benefits in respect of personal loan given by financing organisation. This segment also include protection benefits in respect of various credit facilities other than personal loans extended by the financing organisations to its customers.

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

Shareholders' operations are separated from operating segments and disclosed for presentation purposes only in a separate column.

24 OPERATING SEGMENT INFORMATION (continued)

	As at 31 December 2018				
	Insurance - individual SR'000	*Insurance - group SR'000*	*Total - Insurance operations SR'000*	*Shareholders' operations SR'000*	*Total SR'000*
ASSETS					
Cash and cash equivalents	**15,862**	**592**	**16,454**	**2,417**	**18,871**
Contributions and reinsurance receivables – net	**-**	**74,073**	**74,073**	**-**	**74,073**
Reinsurance share of unearned contributions	**-**	**3,187**	**3,187**	**-**	**3,187**
Reinsurance share of outstanding claims	**2,219**	**38,471**	**40,690**	**-**	**40,690**
Unit-linked investments	**647,075**	**-**	**647,075**	**-**	**647,075**
Investments	**18,955**	**28,850**	**47,805**	**238,808**	**286,613**
Accrued income	**429**	**-**	**429**	**-**	**429**
	684,540	**145,173**	**829,713**	**241,225**	**1,070,938**
Unallocated amounts:					
- Prepayments and other assets			**910**	**4,583**	**5,493**
- Furniture, fittings and office equipment			**1,712**	**-**	**1,712**
- Intangible assets			**2,347**	**-**	**2,347**
- Statutory deposit			**-**	**16,667**	**16,667**
- Accrued income on statutory deposit			**-**	**1,464**	**1,464**
TOTAL ASSETS			**834,682**	**263,939**	**1,098,621**
LIABILITIES					
Accrued and other liabilities	**6,268**	**21,720**	**27,988**	**-**	**27,988**
Reinsurance balances payable	**3,980**	**42,409**	**46,389**	**-**	**46,389**
Unearned contributions	**-**	**4,974**	**4,974**	**-**	**4,974**
Technical Reserve for Insurance Operations	**652,384**	**1,841**	**654,225**	**-**	**654,225**
Outstanding claims	**2,906**	**63,969**	**66,875**	**-**	**66,875**
Incurred But Not Reported (IBNR) reserves	**779**	**6,418**	**7,197**	**-**	**7,197**
Due to related parties	**2,349**	**-**	**2,349**	**-**	**2,349**
	668,666	**141,331**	**809,997**	**-**	**809,997**
Unallocated amounts:					
- Accrued and other liabilities			**3,842**	**3,894**	**7,736**
- End-of-service indemnities			**1,809**	**-**	**1,809**
- Surplus from Insurance Operations			**19,010**	**-**	**19,010**
- Zakat and income tax			**-**	**23,860**	**23,860**
- Dividends payable			**-**	**8**	**8**
- Accrued income payable to SAMA			**-**	**1,464**	**1,464**
TOTAL LIABILITIES			**834,658**	**29,226**	**863,884**
EQUITY					
Share capital			**-**	**166,667**	**166,667**
Statutory reserves			**-**	**28,427**	**28,427**
Retained earnings			**-**	**39,619**	**39,619**
Remeasurement reserve of defined benefit obligation			**24**	**-**	**24**
TOTAL EQUITY			**24**	**234,713**	**234,737**
TOTAL LIABILITIES AND EQUITY			**834,682**	**263,939**	**1,098,621**

24 OPERATING SEGMENT INFORMATION (continued)

	As at 31 December 2017				
	Insurance – individual SR'000	*Insurance-group SR'000*	*Total - Insurance operations SR'000*	*Shareholders' operations SR'000*	*Total SR'000*
ASSETS					
Cash and cash equivalents	23,943	2,371	26,314	357	26,671
Contributions and reinsurance receivables, net	-	13,277	13,277	-	13,277
Reinsurance share of unearned contributions	-	3,312	3,312	-	3,312
Reinsurance share of outstanding claims	1,433	19,661	21,094	-	21,094
Unit-linked investments	694,409	-	694,409	-	694,409
Investments	31,356	45,586	76,942	244,128	321,070
Accrued income	439	-	439	-	439
	751,580	84,207	835,787	244,485	1,080,272
Unallocated amounts:					
- Prepayments and other assets			1,409	4,150	5,559
- Furniture, fittings and office equipment			2,000	-	2,000
- Intangible assets			3,809	-	3,809
- Due from a related party			-	109	109
- Statutory deposit			-	16,667	16,667
- Accrued income on statutory deposit			-	1,093	1,093
TOTAL ASSETS			843,005	266,504	1,109,509
LIABILITIES					
Accrued and other liabilities	11,757	3,298	15,055	-	15,055
Reinsurance balances payable	10,485	40,588	51,073	-	51,073
Unearned contributions	-	4,998	4,998	-	4,998
Technical Reserve for Insurance Operations	706,246	4,379	710,625	-	710,625
Outstanding claims	1,727	21,973	23,700	-	23,700
Incurred But Not Reported (IBNR) reserves	266	6,002	6,268	-	6,268
Due to related parties	1,948	-	1,948	-	1,948
	732,429	81,238	813,667	-	813,667
Unallocated amounts:					
- Accrued and other liabilities			6,904	4,868	11,772
- End-of-service indemnities			1,758	-	1,758
- Surplus from Insurance Operations			17,698	-	17,698
- Zakat and income tax			-	22,422	22,422
- Dividends payable			-	7	7
- Accrued income payable to SAMA			-	1,093	1,093
TOTAL LIABILITIES			840,027	28,390	868,417
EQUITY					
Share capital			-	166,667	166,667
Statutory reserves			-	26,343	26,343
Retained earnings			-	48,082	48,082
Remeasurement reserve of defined benefit obligation			-	-	-
TOTAL EQUITY			-	241,092	241,092
TOTAL LIABILITIES AND EQUITY			840,027	269,482	1,109,509

24 OPERATING SEGMENT INFORMATION (continued)

	2018		
	Insurance - individual SR'000	***Insurance- group SR'000***	***Total SR'000***
REVENUE			
Gross contributions written	**191,919**	**146,427**	**338,346**
Investible contributions, net	**(161,430)**	**-**	**(161,430)**
Net insurance contributions	**30,489**	**146,427**	**176,916**
Reinsurance contributions ceded:			
- Local	**-**	**-**	**-**
- Foreign	**(2,304)**	**(103,307)**	**(105,611)**
Net contributions written	**28,185**	**43,120**	**71,305**
Change in unearned contributions	**-**	**(101)**	**(101)**
Net contributions earned	**28,185**	**43,019**	**71,204**
Investment fund fee	**5,096**	**-**	**5,096**
TOTAL REVENUES	**33,281**	**43,019**	**76,300**
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	**(372)**	**(116,874)**	**(117,246)**
Reinsurer's share of claims paid	**258**	**90,955**	**91,213**
Net claims paid	**(114)**	**(25,919)**	**(26,033)**
Changes in outstanding claims, net	**(393)**	**(8,301)**	**(8,694)**
Changes in claims incurred but not reported, net	**(514)**	**(415)**	**(929)**
Net claims and other benefits incurred	**(1,021)**	**(34,635)**	**(35,656)**
Changes in technical reserves, net	**1,370**	**2,537**	**3,907**
Policy acquisition costs	**(2,563)**	**(357)**	**(2,920)**
Other underwriting expenses	**(961)**	**(732)**	**(1,693)**
TOTAL UNDERWRITING COSTS AND EXPENSES	**(3,175)**	**(33,187)**	**(36,362)**
NET UNDERWRITING INCOME	**30,106**	**9,832**	**39,938**
OTHER OPERATING INCOME/(EXPENSES)			
Allocated amount:			
- Provision against outstanding claims receivable from a reinsurer	**-**	**(14,885)**	**(14,885)**
- Other income	**7,860**	**-**	**7,860**
- Reversal of doubtful debts allowance	**-**	**770**	**770**
Unallocated amounts:			
- General and administration expenses			**(27,928)**
- Unrealised gain on FVIS investments			**5,543**
- Realised gain on FVIS investments			**435**
TOTAL OTHER OPERATING EXPENSES			**(28,205)**
Net income for the year			**11,733**
Net income attributed to the insurance operations			**(1,312)**
Net income for the year attributable to the shareholders			**10,421**

24 OPERATING SEGMENT INFORMATION (continued)

	2017		
	Insurance - individual SR'000	*Insurance- group SR'000*	*Total SR'000*
REVENUE			
Gross contributions written	224,401	128,712	353,113
Investible contributions, net	(184,902)	-	(184,902)
Net insurance contributions	39,499	128,712	168,211
Reinsurance contributions ceded:			
- Local		-	-
- Foreign	(3,760)	(90,773)	(94,533)
Net contributions written	35,739	37,939	73,678
Change in unearned contributions	-	(1,559)	(1,559)
Net contributions earned	35,739	36,380	72,199
Investment fund fee	5,469	-	5,469
TOTAL REVENUES	41,208	36,380	77,588
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(1,136)	(110,671)	(111,807)
Reinsurer's share of claims paid	906	98,003	98,909
Net claims paid	(230)	(12,668)	(12,898)
Changes in outstanding claims, net	(193)	2,754	2,561
Changes in claims incurred but not reported, net	(25)	(938)	(963)
Net claims incurred	(448)	(10,852)	(11,300)
Changes in technical reserves, net	(928)	1,017	89
Policy acquisition costs	(5,532)	(120)	(5,652)
Other underwriting expenses	(1,122)	(644)	(1,766)
TOTAL UNDERWRITING COSTS AND EXPENSES	(8,030)	(10,599)	(18,629)
NET UNDERWRITING INCOME/(EXPENSES)	33,178	25,781	58,959
OTHER OPERATING (EXPENSES)/ INCOME			
Allocated amount:			
- Other income	2,749	-	2,749
- Addition to doubtful debts allowance	-	(322)	(322)
Unallocated amounts:			
- Other income			267
- General and administration expenses			(27,166)
- Unrealised gain on FVIS investments			7,047
- Realised gain on FVIS investments			572
- Realised gain on available-for-sale investments, net			727
TOTAL OTHER OPERATING EXPENSES			(16,126)
Net income for the year			42,833
Net income attributed to the insurance operations			(4,302)
Net income for the year attributable to the shareholders			38,531

25 FAIR VALUES OF FINANCIAL INSTRUMENTS

a) 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 Company's financial assets consist of cash and cash equivalents, unit-linked investments, FVIS investments, available-for-sale investments, contributions and reinsurance receivables, amount due from a related party, other receivables and due from Insurance Operations, and its financial liabilities consist of outstanding claims, reinsurance balances payable, amount due to related parties, due to Shareholder Operations and other payables. The fair values of financial instruments are not materially different from their carrying values. As at 31 December 2018, apart from the investments which are carried at fair value (note 7 and 8), there were no other financial instruments held by the Company that were measured at fair value.

b) 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 instrument (i.e. without modification or repackaging);

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.

As at 31 December 2018 and 31 December 2017, all financial instruments which are fair valued are Level 1 instruments except for investment in real estate fund and AlAhli Takaful discretionary portfolio which were Level 2 investments. The Company determines Level 2 fair values for these investments based on the net assets value of the respective funds as at the end of the reporting period. There are no transfers between Level 1, Level 2 and Level 3 during the year (2017: same).

c) Refer to note 7 for the fair value measurement of unit-linked investments and note 8 for details of the fair value measurements of FVIS investments.

26 RISK MANAGEMENT

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

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

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

Senior management
Senior management is responsible for the day to day operations towards achieving the strategic goals within the Company's Board authorised risk appetite parameters.

Audit Committee
The Audit Committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting and risk management, the audit there-of and the soundness of the internal controls of the Company.

Internal audit
All key operational, financial and risk management processes are audited by Internal Audit. Internal Audit examines the adequacy of the relevant policies and procedures, the Company's compliance with internal policies and regulatory guidelines. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

26 RISK MANAGEMENT (continued)

The risks faced by the Company and the way these risks are mitigated by management are summarised below.

i) Insurance risk

Insurance risk is the risk that actual claims payable to policyholders exceed the carrying amount of reserve for insurance activities. This is influenced by the frequency and amounts of claims paid and subsequent development of long term claims. Therefore, the objective of the Insurance Operations is to ensure that sufficient reserves are available to cover these liabilities. The Insurance Operations manages this risk by ensuring that adequate reinsurance cover is taken to restrict the maximum loss payable for any individual claim.

Concentration of insurance risk
The Company's insurance risk exposure relating to contract holders is concentrated in the Kingdom of Saudi Arabia.

Key assumptions
The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risk, civil riots, etc. The Company manages these risks through conservative underwriting strategies and effective use of reinsurance arrangements.

Frequency and amount of claims
For individual life business, the main risk is the mortality and morbidity (permanent or temporary disability) of the insured. This is managed through an effective and clearly defined underwriting strategy. There are various levels of understanding carried out, including declaration of good health, medical questionnaire, reports from specialist/ consultants and comprehensive medical tests. The Company also assesses financial, lifestyle and occupational information to ascertain the degree of risk carried by the insured and to determine whether or not it could be classified as a standard life.

For group life and group credit protection, the main risks are mortality and morbidity (permanent or temporary disability) of the insured. The mortality risk is compounded due to the concentration of lives, e.g. employees in the same workplace. The Company has a clearly defined underwriting strategy. There are various levels of understanding carried out, including declaration of good health, medical questionnaire, reports from specialist/ consultants and comprehensive medical tests. The Company also looks at the nature of activity carried out by the group, group size, mix of lives by geographical regions, cultural background and manual/non-manual worker split.

The individual life business and group credit protection portfolios are protected through an efficient reinsurance arrangement. This protects the Company from adverse mortality/morbidity experience.

Sensitivity of claims
Insurance claim liabilities are sensitive to the various assumptions mentioned above. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. A hypothetical 5% change in the net claims ratio, with other variables held constant, would impact income for the year by approximately SR 3,560 thousand (2017: SR 3,606 thousand) in aggregate.

ii) Reinsurance risk

In common with other insurance companies, in order to minimise financial exposure arising from an increase in the number of claims paid, the Insurance Operations, in the normal course of business, enters into contracts with other parties for reinsurance purposes. Reinsurance ceded contracts do not relieve the Company from its obligations to policy holders and as a result the Company remains liable for the portion of outstanding claims reinsured.

To minimise its exposure to significant losses from reinsurance managers' insolvencies, the Insurance Operations evaluates the financial condition of its reinsurance managers. The Insurance Operations has a quota-share reinsurance arrangement with reinsurance companies based in Germany, the United States of America and Saudi Arabia having credit ratings of "AA-" or above. These reinsurance arrangements covers individual and group contracts issued by the Insurance Operations in the Kingdom of Saudi Arabia.

26 RISK MANAGEMENT (continued)

ii) Reinsurance risk (continued)

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

Under the arrangements, the Insurance Operations retains 30% (2017: 30%) of the insurance cover in case of individual life insurance business (up to a maximum of SR 56,520 (2017: SR 56,250) per life) and 10% to 20% of the insurance cover is retained in respect of Group care and Group credit protection business. Any surplus made in the Reinsurance Fund on the Insurance risk (mortality risk) is paid into AlAhli Takaful Fund by the Reinsurers to be distributed amongst the policyholders.

iii) Regulatory framework risk

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

iv) Capital management (solvency) risk

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

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

As per guidelines laid out by SAMA in Article 67 of the Implementing Insurance Regulations, the Company is required to maintain a solvency margin equivalent to an aggregate of the minimum Capital requirement, 0.3% and 0.1% of capital at risk for individual life and group life policies respectively after certain deductions and subject to a cap of 50% of total Capital at risk. The Company complied with the relevant regulations.

v) Financial risk

The Company's principal financial instruments are cash and cash equivalents, unit-linked investments, FVIS investments, available-for-sale investments, contribution and reinsurance receivables, gross outstanding claims, reinsurance share of outstanding claims, accrued income, other receivables, due from Insurance Operations, reinsurance balances payable/ receivable, due to/from related parties, due to Shareholders' Operations and other payables. The Company does not enter into derivative transactions.

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

Market price risk
Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

The Company is exposed to market risk with respect to their investments. The underlying investments of mutual funds and discretionary portfolios are in equities, Sukuks and Murabaha purchased in the local and international markets and the unit price of these investments is dependent on the movements in the market prices of underlying investments. The fund manager limits market risk by monitoring the developments in the relevant markets for these instruments.

26 RISK MANAGEMENT (continued)

v) Financial risk (continued)

Market price risk (continued)
A 5% increase/decrease in the value of FVIS investments of the Company, with all other variables held constant, would increase/decrease the statement of income by SR 14,331 thousand (2017: SR 16,054 thousand).

Foreign currency risk
Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management believes that there is minimal risk of losses due to exchange rate fluctuations as the Company primarily deals in Saudi Riyals and in US Dollars. The Saudi Riyal is pegged to the US Dollar so balances in US Dollar do not carry any significant foreign currency risk.

Commission rate risk
Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. As the Company does not have any commission bearing assets or liabilities, the Company is not exposed to commission rate risk.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company manages credit risk by setting credit limits and monitoring outstanding receivables.

The Company issues unit linked policies. In unit linked business, the plan holder bears the investment risk on the assets held in the unit linked funds as the policy benefits are directly linked to the value of the assets in the fund. Therefore the Company has no material credit risk on the unit linked investments. The table below shows the maximum exposure to credit risk for the components of the statement of financial position:

	2018	*2017*
	SR'000	*SR'000*
Cash at bank	**18,859**	26,662
Reinsurance share of outstanding claims	**40,690**	21,094
Contributions and reinsurance receivables	**74,133**	14,107
Due from employees	**365**	563
Accrued income	**429**	439
Other receivables	**5,461**	5,107
	139,937	67,972

Concentration of credit risk
Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of the counterparties whose aggregate credit exposure is significant in relation to the Company's total exposure.

Currently credit risk of bank balance, contributions receivable concentrated in a major shareholder of a Company (National Commercial Bank) and its subsidiary.

Credit quality
Bank balances and contribution receivable are with major shareholder of the Company (National Commercial Bank) with an A+ credit rating assigned by an international credit rating agency. Unit-linked and FVIS investments are not rated.

26 RISK MANAGEMENT (continued)

v) Financial risk (continued)

Liquidity risk

Liquidity risk is the risk the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. All assets of the Company are current, except for furniture, fittings and office equipment, intangible assets and statutory deposit, which are non-current in nature.

The Company's financial liabilities consist of outstanding claims, reinsurance balances payable, amount due to related parties and other payables. All financial liabilities are non-interest bearing and are expected to be settled within 12 months from the date of statement of financial position.

27. EARNINGS PER SHARE

The basic earnings per share have been calculated by dividing the net income for the year attributable to the shareholders by the weighted average number of ordinary shares issued and outstanding at the year end. Diluted earnings per share is not applicable to the Company.

28. DIVIDEND

On 24 Rajab 1439H (corresponding to 10 April 2018), the Company's Board of Directors (BoD) proposed to pay a dividend, for the year ended 31 December 2017, of SR 75 per share totalling SR 12.5 million to its shareholders (31 December 2017: SR 8.33 million). This dividend proposal was approved by the shareholders in the Ordinary General Assembly Meeting held on 07 Sha'ban 1439H (corresponding to 23 April 2018). Accordingly, the dividend payment was made on 21 Shab'an 1439H (corresponding to 7 May 2018). The BoD approved previously to pay dividend to non-Saudi shareholders after deducting income tax amounting to SR 1,091 thousand (2017: SR 1,490 thousand).

29. CONTINGENT LIABILITIES AND COMMITMENTS

As at the statement of financial position date, the Company had no contingent liabilities and commitments (2017: nil).

30 SUPPLEMENTARY INFORMATION

a) STATEMENT OF FINANCIAL POSITION

	Insurance operations SR'000	***Shareholders' operations SR'000***	***31 December 2018 SR'000***	*Insurance operations SR'000*	*Shareholders' operations SR'000*	*31 December 2017 SR'000*
ASSETS						
Cash and cash equivalents	**16,454**	**2,417**	**18,871**	26,314	357	26,671
Contributions and reinsurance receivables, net	**74,073**	**-**	**74,073**	13,277	-	13,277
Reinsurance share of unearned contributions	**3,187**	**-**	**3,187**	3,312	-	3,312
Reinsurance share of outstanding claims	**40,690**	**-**	**40,690**	21,094	-	21,094
Unit-linked investments	**647,075**	**-**	**647,075**	694,409	-	694,409
Investments	**47,805**	**238,808**	**286,613**	76,942	244,128	321,070
Due from Insurance Operations	**-**	**-**	**-**	-	2,978	2,978
Due from a related party	**-**	**-**	**-**	-	109	109
Accrued income	**429**	**-**	**429**	439	-	439
Prepayments and other assets	**910**	**4,583**	**5,493**	1,409	4,150	5,559
Furniture, fittings and office equipment	**1,712**	**-**	**1,712**	2,000	-	2,000
Intangible assets	**2,347**	**-**	**2,347**	3,809	-	3,809
Statutory deposit	**-**	**16,667**	**16,667**	-	16,667	16,667
Accrued income on statutory deposit	**-**	**1,464**	**1,464**	-	1,093	1,093
	834,682	**263,939**	**1,098,621**	843,005	269,482	1,112,487
Less: Inter-operations eliminations	**-**	**-**	**-**	-	(2,978)	(2,978)
TOTAL ASSETS	**834,682**	**263,939**	**1,098,621**	843,005	266,504	1,109,509

30 SUPPLEMENTARY INFORMATION (continued)

a) STATEMENT OF FINANCIAL POSITION (continued)

	Insurance operations SR'000	***Shareholders' operations SR'000***	***31 December 2018 SR'000***	*Insurance operations SR'000*	*Shareholders' operations SR'000*	*31 December 2017 SR'000*
LIABILITIES						
Accrued and other liabilities	**31,830**	**3,894**	**35,724**	21,959	4,868	26,827
Reinsurance balances payable	**46,389**	**-**	**46,389**	51,073	-	51,073
Unearned contributions	**4,974**	**-**	**4,974**	4,998	-	4,998
Technical Reserve for Insurance Operations	**654,225**	**-**	**654,225**	710,625	-	710,625
Outstanding claims	**66,875**	**-**	**66,875**	23,700	-	23,700
Incurred But Not Reported (IBNR) reserves	**7,197**	**-**	**7,197**	6,268	-	6,268
Due to related parties	**2,349**	**-**	**2,349**	1,948	-	1,948
Due to Shareholders' Operations	**-**	**-**	**-**	2,978	-	2,978
End-of-service indemnities	**1,809**	**-**	**1,809**	1,758	-	1,758
Surplus from Insurance Operations	**19,010**	**-**	**19,010**	17,698	-	17,698
Zakat and income tax	**-**	**23,860**	**23,860**	-	22,422	22,422
Dividends payable	**-**	**8**	**8**	-	7	7
Accrued income payable to SAMA	**-**	**1,464**	**1,464**	-	1,093	1,093
	834,658	**29,226**	**863,884**	843,005	28,390	871,395
Less: Inter-operations eliminations	**-**	**-**	**-**	(2,978)	-	(2,978)
TOTAL LIABILITIES	**834,658**	**29,226**	**863,884**	840,027	28,390	868,417
EQUITY						
Share capital	**-**	**166,667**	**166,667**	-	166,667	166,667
Statutory reserve	**-**	**28,427**	**28,427**	-	26,343	26,343
Retained earnings	**-**	**39,619**	**39,619**	-	48,082	48,082
Remeasurement reserve of defined benefit obligation	**24**	**-**	**24**	-	-	-
TOTAL EQUITY	**24**	**234,713**	**234,737**	-	241,092	241,092
TOTAL LIABILITIES AND EQUITY	**834,682**	**263,939**	**1,098,621**	840,027	269,482	1,109,509

30 SUPPLEMENTARY INFORMATION (continued)

b) STATEMENT OF INCOME

	Year ended 31 December					
	Insurance operations SR'000	***Shareholders' operations SR'000***	***2018 SR'000***	*Insurance operations SR'000*	*Shareholders' operations SR'000*	*2017 SR'000*
REVENUES						
Gross contributions written	**338,346**	**-**	**338,346**	353,113	-	353,113
Investible contributions, net	**(161,430)**	**-**	**(161,430)**	(184,902)	-	(184,902)
Net insurance contributions	**176,916**	**-**	**176,916**	168,211	-	168,211
Reinsurance contributions ceded:						
Local	**-**	**-**	**-**	-	-	-
Foreign	**(105,611)**	**-**	**(105,611)**	(94,533)	-	(94,533)
Net contributions written	**71,305**	**-**	**71,305**	73,678	-	73,678
Change in unearned contributions - net	**(101)**	**-**	**(101)**	(1,559)	-	(1,559)
Net contributions earned	**71,204**	**-**	**71,204**	72,119	-	72,119
Investment fund fee	**5,096**	**-**	**5,096**	5,469	-	5,469
TOTAL REVENUES	**76,300**	**-**	**76,300**	77,588	-	77,588
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	**(117,246)**	**-**	**(117,246)**	(111,807)	-	(111,807)
Reinsurers' share of claims paid	**91,213**	**-**	**91,213**	98,909	-	98,909
Net claims and other benefits paid	**(26,033)**	**-**	**(26,033)**	(12,898)	-	(12,898)
Changes in outstanding claims – net	**(8,694)**	**-**	**(8,694)**	2,561	-	2,561
Changes in claims incurred but not reported, net	**(929)**	**-**	**(929)**	(963)	-	(963)
Net claims and other benefits incurred	**(35,656)**	**-**	**(35,656)**	(11,300)	-	(11,300)
Changes in technical reserves, net	**3,907**	**-**	**3,907**	89	-	89
Policy acquisition costs	**(2,920)**	**-**	**(2,920)**	(5,652)	-	(5,652)
Other underwriting expenses	**(1,693)**	**-**	**(1,693)**	(1,766)	-	(1,766)
TOTAL UNDERWRITING COSTS AND EXPENSES	**(36,362)**	**-**	**(36,362)**	(18,629)	-	(18,629)
NET UNDERWRITING INCOME	**39,938**	**-**	**39,938**	58,959	-	58,959

30 SUPPLEMENTARY INFORMATION (continued)

b) STATEMENT OF INCOME (continued)

	Year ended 31 December					
	Insurance operations SR'000	***Shareholders' operations SR'000***	***2018 SR'000***	*Insurance operations SR'000*	*Shareholders' operations SR'000*	*2017 SR'000*
OTHER OPERATING (EXPENSES)/ INCOME						
Reversal of/ (addition to) doubtful debts allowance	**770**	**-**	**770**	(322)	-	(322)
Provision against outstanding claims receivable from a reinsurer	**(14,885)**	**-**	**(14,885)**	-	-	-
General and administration expenses	**(22,076)**	**(5,852)**	**(27,928)**	(20,086)	(7,080)	(27,166)
Unrealised gain on FVIS investment	**1,196**	**4,347**	**5,543**	1,349	5,698	7,047
Realised gain on FVIS investments	**317**	**118**	**435**	367	205	572
Realised gain on available-for-sale investments, net	**-**	**-**	**-**	-	727	727
Other income	**7,860**	**-**	**7,860**	2,749	267	3,016
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	**(26,818)**	**(1,387)**	**(28,205)**	(15,943)	(183)	(16,126)
NET SURPLUS/(DEFICIT) FROM OPERATIONS	**13,120**	**(1,387)**	**11,733**	43,016	(183)	42,833
Surplus transferred to Shareholders	**(11,808)**	**11,808**	**-**	(38,714)	38,714	-
NET INCOME FOR THE YEAR	**1,312**	**10,421**	**11,733**	4,302	38,531	42,833
Weighted averages number of ordinary shares outstanding (in thousands)	**-**	**16,667**	**-**	-	16,667	-
Basic earnings per share for the year (SR)	**-**	**0.63**	**-**	-	2.31	-

30 SUPPLEMENTARY INFORMATION (continued)

c) STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December					
	Insurance operations SR'000	***Shareholders' operations SR'000***	***2018 SR'000***	*Insurance operations SR'000*	*Shareholders' operations SR'000*	*2017 SR'000*
NET INCOME FOR THE YEAR	**1,312**	**10,421**	**11,733**	4,302	38,531	42,833
Other comprehensive income: ***Items that may be reclassified to statement of income in subsequent years***						
Transferred to statement of income on disposal	**-**	**-**	**-**	-	(1,155)	(1,155)
Items that will not be reclassified to statement of income in subsequent years						
Actuarial gains on defined benefit obligation	**24**	**-**	**24**	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,336**	**10,421**	**11,757**	4,302	37,376	41,678
Reconciliation: Less: Net income attributable to insurance operations			(1,312)			(4,302)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			**10,445**			**37,376**

30 SUPPLEMENTARY INFORMATION (continued)

d) STATEMENT OF CASH FLOWS

	Year ended 31 December					
	Insurance operations SR'000	***Shareholders' operations SR'000***	***2018 SR'000***	*Insurance operations SR'000*	*Shareholders' operations SR'000*	*2017 SR'000*
OPERATING ACTIVITIES						
Income for the year	**1,312**	**10,421**	**11,733**	4,302	38,531	42,833
Adjustments for the year:						
Depreciation	**829**	**-**	**829**	664	-	664
Amortization of intangible assets	**1,755**	**-**	**1,755**	1,657	-	1,657
End-of-service indemnities	**503**	**-**	**503**	472	-	472
(Addition to)/reversal of doubtful debts allowance	**(770)**	**-**	**(770)**	322	-	322
Provision against outstanding claims receivable from a reinsurer	**14,885**	**-**	**14,885**	-	-	-
Realised gain on sale of available-for-sale investments	**-**	**-**	**-**	-	(727)	(727)
Unrealised gain on re-measurement of FVIS investments	**(1,196)**	**(4,347)**	**(5,543)**	(1,349)	(5,698)	(7,047)
Income before changes in operating assets and liabilities	**17,318**	**6,074**	**23,392**	6,068	32,106	38,174
Changes in operating assets and liabilities:						
Unit-linked investments	**47,334**	**-**	**47,334**	55,362	-	55,362
Contributions and reinsurance receivables - net	**(60,026)**	**-**	**(60,026)**	(8,717)	-	(8,717)
Due from a related party		**109**	**109**	-	(109)	(109)
Prepayments and other assets	**509**	**(433)**	**76**	(754)	(118)	(872)
Reinsurance share of unearned contributions	**125**	**-**	**125**	(3,154)	-	(3,154)
Unearned contributions	**(24)**	**-**	**(24)**	4,713	-	4,713
Reinsurance share of outstanding claims	**(34,481)**	**-**	**(34,481)**	18,707	-	18,707
Technical Reserve for Insurance Operations	**(56,400)**	**-**	**(56,400)**	(51,681)	-	(51,681)
Incurred But Not Reported (IBNR) reserves	**929**	**-**	**929**	963	-	963
Outstanding claims	**43,175**	**-**	**43,175**	(21,268)	-	(21,268)
Reinsurance balances payable	**(4,684)**	**-**	**(4,684)**	(4,520)	-	(4,520)
Due to Shareholders' Operations	**(12,645)**	**-**	**(12,645)**	28,613	-	28,613
Due from Insurance Operations	**-**	**12,645**	**12,645**	-	(28,613)	(28,613)
Due to related parties	**401**	**-**	**401**	784	-	784
Accruals and other liabilities	**9,871**	**(974)**	**8,897**	(63)	597	534
Accrued income on statutory deposit	**-**	**(371)**	**(371)**	-	(318)	(318)
Accrued income payable to SAMA deposit	**-**	**371**	**371**	-	318	318
Cash (used in)/from operations	**(48,598)**	**17,421**	**(31,177)**	25,053	3,863	28,916
Zakat and income tax paid	**-**	**(4,895)**	**(4,895)**	-	(2,106)	(2,106)
End-of-service indemnities paid	**(428)**	**-**	**(428)**	(298)		(298)
Net cash (used in)/from operating activities	**(49,026)**	**12,526**	**(36,500)**	24,755	1,757	26,512

30 SUPPLEMENTARY INFORMATION (continued)

d) STATEMENT OF CASH FLOWS (continued)

	Year ended 31 December					
	Insurance operations SR'000	***Shareholders' operations SR'000***	***2018 SR'000***	*Insurance operations SR'000*	*Shareholders' operations SR'000*	*2017 SR'000*
INVESTING ACTIVITIES						
Purchase of furniture, fittings and office equipment	**(541)**	**-**	**(541)**	(841)	-	(841)
Additions to intangible assets	**(293)**	**-**	**(293)**	(507)	-	(507)
Redemption of FVIS investments	**40,000**	**-**	**40,000**	49,000	46,000	95,000
Purchase of FVIS investments	**-**	**-**	**-**	(65,000)	(49,721)	(114,721)
Proceeds from disposal of available-for-sale investments	**-**	**-**	**-**	-	9,721	9,721
Net cash from/(used in) investing activities	**39,166**	**-**	**39,166**	(17,348)	6,000	(11,348)
FINANCING ACTIVITIES						
Dividend paid	**-**	**(12,499)**	**(12,499)**	-	(9,016)	(9,016)
Income tax recovered from non-Saudi shareholders, net	**-**	**663**	**663**	-	1,490	1,490
Prior years income tax recovered from GAZT as per refund notice	**-**	**1,370**	**1,370**	-	-	-
Net cash used in financing activities	**-**	**(10,466)**	**(10,466)**	-	(7,526)	(7,526)
Net (decrease)/increase in cash and cash equivalents	**(9,860)**	**2,060**	**(7,800)**	7,407	231	7,638
Cash and cash equivalents at the beginning of the year	**26,314**	**357**	**26,671**	18,907	126	19,033
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**16,454**	**2,417**	**18,871**	26,314	357	26,671

31 AMALGAMATION OF SHAREHOLDERS AND INSURANCE OPERATIONS

Certain of the comparative figures have been reclassified and regrouped to conform to the in the current year presentation. These changes as summarised below, were mainly to conform with the SAMA requirements:

- As discussed in note 2 to these financial statements, previously statement of financial position, statement of income and statement cash flows were presented separately for insurance operations and shareholders operations which are combined together to present one Company level statement of financial position, statement of income and statement of cash flows.
- The amounts "due to/from" shareholders and insurance operations which previously reported separately in the respective statement of financial position, are now eliminated (refer note 30(a)).
- Share of insurance operations surplus split in the ratio of 90/10 between shareholders and insurance operations and presented separately is now presented as an expense in statement of income (refer note 30(b)).

32. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors on 31 March 2019, corresponding to 24 Rajab 1440 H.