SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
For the year ended 31 December 2018

PKF Al-Bassam & Co.
Allied Accountants
P.O. Box 15651
Jeddah – 21454

Sindi & Batterjee
Audit & Consultancy
Kreston International
Licence No. 76

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
SAUDI ENAYA COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)
Jeddah, Kingdom of Saudi Arabia

Opinion

We have audited the financial statements of Saudi Enaya Cooperative Insurance 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 at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax.

Emphasis of matter

We draw attention to note 4 to the financial statements which indicates that during the year, the Company's accumulated losses exceeded 50% of its Share Capital. The Company's underwriting was also suspended by SAMA due to non-compliance with minimum solvency margin. On 10 June 2018, the Company absorbed SAR 100 million of accumulated losses against its share capital of 10 million shares. The Board of directors had already recommended an increase in the Company's capital through offering a rights issue with a total value of SAR 200 million.

As disclosed within note 4, the Company undertook the corrective actions as required by SAMA, resulting in resumption of the underwriting via a letter dated 24 January 2019 received from SAMA.

We further draw attention to note 22 to the financial statements, which indicates that the Company has successfully completed its right issue of SAR 200 million dated 16 January 2019. As of the date of this report, the Company is in the process of finalizing the legal formalities including updating of Company Commercial Registration Certificate, by-laws amongst others legal formalities.

Our opinion is not qualified in respect of the above matter.

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

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
SAUDI ENAYA COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY) – (continued)
Jeddah, Kingdom of Saudi Arabia

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of ultimate claim liabilities arising from insurance contracts As at 31 December 2018, outstanding claims including claims Incurred But Not Reported (IBNR) amounted to Saudi Riyals 60,351 thousands as disclosed in Note 14 to the financial statements. The estimation of ultimate insurance contract liabilities involves a significant degree of judgment. The liabilities are based on the best-estimate of ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. In particular, estimates of IBNR and the use of actuarial and statistical projections involve significant judgment. A range of methods e.g. Chain ladder method, Bornhuetter ferguson method, expected loss ratio method etc. are used by the actuary to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. We considered this as a key audit matter since use of management assumptions and judgements could result in material over / understatement of the Company's profitability. The Company's policies for claims and related judgments and estimates are disclosed in notes 2 and 3 to the financial statements respectively. Liabilities for outstanding claims including IBNR, claims incurred and claims development table have been disclosed in note 17 to the financial statements. Segment wise disclosure of claim related liabilities and expense have been given in note 19 to the financial statements. The Company's approach to claim related risk management has been disclosed in note 27 to the financial statements.	We understood and evaluated key controls around the claims handling and provision setting processes of the Company including completeness and accuracy of claims data used in the actuarial reserving process. We evaluated the competence, capabilities and objectivity of the management's expert by examining their professional qualifications and experiences and assessing their relationship with the entity. In obtaining sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we tested on sample basis, the completeness and accuracy of underlying claims data utilized by the Company's actuary in estimating the IBNR by comparing it to accounting records. In order to challenge management's methodologies and assumptions, we were assisted by our internal actuary to understand and evaluate the Company's actuarial practices and the provisions established. In order to gain comfort over the actuarial report issued by management's expert, our internal actuary performed the following: - Evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods. We sought sufficient justification for any significant differences. - Assessed key actuarial assumptions including claims ratios, and expected frequency and severity of claims. We challenged these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge. - Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
SAUDI ENAYA COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY) – (continued)
Jeddah, Kingdom of Saudi Arabia

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, 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.

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.

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
SAUDI ENAYA COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY) – (continued)
Jeddah, Kingdom of Saudi Arabia

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

- 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 period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

for PKF Al-Bassam & Co.
Allied Accountants

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

for Sindi & Batterjee
Certified Public Accountants

Mazin Mohammed Batterjee
Certified Public Accountant
Licence No. 217

25 March 2019
18 Rajab 1440H
Jeddah, Kingdom of Saudi Arabia

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	31 December 2018	31 December 2017
		SAR '000	
ASSETS			
Cash and cash equivalents	5	**56,721**	32,812
Short term murabaha deposits	6	**82,882**	134,863
Premiums receivable – net	7	**17,429**	114,890
Reinsurers' share of outstanding claims reserve	14	**5,857**	-
Reinsurers' share of claims incurred but not reported	14	**2,103**	798
Reinsurers' share of premium deficiency reserve	14	**610**	-
Prepaid expenses and other assets	12	**15,381**	28,727
Deferred policy acquisition costs	9	**1,035**	8,924
Investments	8	**12,695**	34,489
Property and equipment	11	**2,446**	1,930
Intangible assets	10	**1,161**	1,396
Statutory deposit	13	**30,000**	30,000
Accrued commission income on statutory deposit		**2,318**	1,460
TOTAL ASSETS		**230,638**	390,289
LIABILITIES			
Accrued and other liabilities		**71,107**	23,009
Reinsurers' balances payable		**939**	873
Unearned premiums	14	**20,338**	148,377
Outstanding claims	14	**44,408**	34,542
Claims incurred but not reported	14	**15,943**	14,108
Premium deficiency reserve	14	**2,441**	-
Other technical reserves	14	**572**	487
End-of-service indemnities	16	**5,808**	4,207
Zakat and income tax	21	**10,698**	8,298
Accrued commission income payable to SAMA		**2,318**	1,460
TOTAL LIABILITIES		**174,572**	235,361
SHAREHOLDERS' EQUITY			
Share capital	22	**100,000**	200,000
Accumulated losses		**(44,708)**	(45,072)
TOTAL SHAREHOLDERS' EQUITY		**55,292**	154,928
Re-measurement reserve of defined indemnities obligation – related to insurance operations		**774**	-
TOTAL EQUITY		**56,066**	154,928
TOTAL LIABILITIES AND EQUITY		**230,638**	390,289
COMMITMENTS AND CONTINGENCIES	15	**13,045**	13,045

Chairman

Chief Financial Officer

Chief Executive Officer

The accompanying notes from 1 – 31 form an integral part of these financial statements.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018	2017
		SAR '000	
REVENUES			
Gross premiums written		**138,244**	274,822
Reinsurance premiums ceded – foreign		-	1,153
Excess of loss expenses – foreign		**(22,358)**	(7,832)
Net premiums written		**115,886**	268,143
Changes in unearned premiums, net	17	**128,039**	(93,061)
Net premiums earned		**243,925**	175,082
TOTAL REVENUES		**243,925**	175,082
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		**289,273**	111,574
Reinsurers' share of claims paid		**(28,021)**	(24,292)
Net claims paid		**261,252**	87,282
Changes in outstanding claims, net	17	**4,009**	34,542
Changes in claims incurred but not reported, net	17	**530**	(2,672)
Net claims incurred		**265,791**	119,152
Premium deficiency reserve	17	**1,831**	-
Other technical reserves	17	**85**	487
Policy acquisition costs		**14,779**	9,910
Other underwriting expenses		**4,369**	4,783
TOTAL UNDERWRITING COSTS AND EXPENSES		**286,855**	134,332
NET UNDERWRITING (LOSS) / INCOME		**(42,930)**	40,750

Chairman

Chief Financial Officer

Chief Executive Officer

The accompanying notes from 1 – 31 form an integral part of these financial statements.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF INCOME – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018	2017
		SAR '000	
OTHER OPERATING (EXPENSES) / INCOME			
Other income		-	61
Release of / (allowance for) doubtful debts		**122**	(9,896)
General and administrative expenses	26	**(52,968)**	(48,629)
Commission income on deposits		**3,849**	3,377
Unrealized gain / (loss) on investments		**92**	(182)
TOTAL OTHER OPERATING EXPENSES		**(48,905)**	(55,269)
Net loss for the year		**(91,835)**	(14,519)
Net income attributed to the insurance operations		**-**	-
Net loss for the year attributable to the shareholders		**(91,835)**	(14,519)
Loss per share (Expressed in SAR per share)			
Weighted average number of ordinary shares outstanding (in thousands)		**10,000**	10,000
Basic and diluted loss per share for the year (SR) – restated – 2017	22	**(9.18)**	(1.45)

Chairman

Chief Financial Officer

Chief Executive Officer

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018	2017
		SAR '000	
Net loss for the year		(91,835)	(14,519)
Other comprehensive income / (loss)			
Items that will not be reclassified to statements of income in subsequent years			
Actuarial gains on defined indemnities obligation – related to Insurance operations		774	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(91,061)	(14,519)

Chairman

Chief Financial Officer

Chief Executive Officer

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

2018	Related to shareholders'				
	Share capital	Accumulated losses	Total shareholders' equity	Re-measurement reserve of defined indemnities obligation – related to insurance operations	Total equity
			SAR '000		
Balance as at 31 December 2017	200,000	(45,072)	154,928	-	154,928
Total comprehensive loss for the year					
Net loss for the year	-	(91,835)	(91,835)	-	(91,835)
Other comprehensive income	-	-	-	774	774
Total comprehensive loss for the year	-	(91,835)	(91,835)	774	(91,061)
Reduction of share capital (note 22)	(100,000)	100,000	-	-	-
Transaction cost	-	(5,401)	(5,401)	-	(5,401)
Zakat for the year	-	(2,400)	(2,400)	-	(2,400)
Balance as at 31 December 2018	**100,000**	**(44,708)**	**55,292**	**774**	**56,066**

Chairman

Chief Financial Officer

Chief Executive Officer

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

2017	Related to shareholders'				
	Share capital	Accumulated losses	Total shareholders' equity	Re-measurement reserve of defined indemnities obligation – related to insurance operations	Total equity
			SAR '000		
Balance as at 31 December 2016	200,000	(28,253)	171,747	-	171,747
Total comprehensive loss for the year					
Net loss for the year		(14,519)	(14,519)	-	(14,519)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	(14,519)	(14,519)	-	(14,519)
Zakat for the year	-	(2,300)	(2,300)	-	(2,300)
Balance as at 31 December 2017	200,000	(45,072)	154,928	-	154,928

Chairman

Chief Financial Officer

Chief Executive Officer

The accompanying notes from 1 – 31 form an integral part of these financial statements.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018	2017
		SAR '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year		(91,835)	(14,519)
Adjustments for non-cash items:			
Depreciation of property and equipment		801	484
Amortization of intangible assets		942	1,973
Gain on sale of property and equipment		-	(50)
Allowance for doubtful debts		(122)	9,896
Unrealized gain on Investments		(57)	130
Amortization of discount – net		(35)	53
Provision for end-of-service indemnities		2,834	-
		(87,472)	(2,033)
Changes in operating assets and liabilities:			
Premiums receivable		97,583	(73,925)
Reinsurers' share of unearned premiums		-	9,424
Reinsurers' share of outstanding claims		(5,857)	10,640
Reinsurers' share of incurred but not reported (IBNR) claims		(1,305)	-
Reinsurers' share of premium deficiency reserve		(610)	-
Deferred policy acquisition costs		7,889	(6,413)
Prepaid expenses and other assets		13,346	(24,845)
Accrued and other liabilities		48,098	10,912
Reinsurers' balances payable		66	(2,463)
Unearned premiums		(128,039)	83,637
Outstanding claims		9,866	34,542
Incurred but not reported claims		1,835	(13,312)
Premium deficiency reserve		2,441	-
Other technical reserves		85	487
Net cash (used in) / from operating activities		(42,074)	26,651
End-of-service indemnities paid		(459)	-
Zakat paid		-	(701)
Net cash flows (used in) / from operating activities		(42,533)	25,950
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments		-	(16,851)
Proceeds from sale of investments		21,886	17,171
Placement of short term murabaha deposits		-	(91,053)
Proceeds from maturity of short-term murabaha deposits		51,981	-
Purchase of property and equipment		(1,317)	(1,048)
Proceeds from sale of property and equipment		-	50
Purchase of intangible assets		(707)	(67)
Net cash flows from / (used in) investing activities		71,843	(91,798)
CASH FLOWS FROM FINANCING ACTIVITIES			
Transaction costs		(5,401)	-
Net cash flows used in financing activities		(5,401)	-
Net change in cash and cash equivalents		23,909	(65,848)
Cash and cash equivalents, beginning of the year		32,812	98,660
Cash and cash equivalents, end of the year		56,721	32,812

Chairman

Chief Financial Officer

Chief Executive Officer

The accompanying notes from 1 – 31 form an integral part of these financial statements.

1. GENERAL

Saudi Enaya Cooperative Insurance (a Joint Stock Company incorporated in Kingdom of Saudi Arabia), "the Company", was formed pursuant to Royal Decree No. 98/Q dated 16 Rabi Awwal 1433H. (Corresponding to 8 February 2012). The Company operates under Commercial Registration no. 4030223528 dated 27 Rabi Awal 1433H (corresponding to 19 February 2012). The registered address of the Company's head office is as follows:

Saudi Enaya Cooperative Insurance
Prince Sultan Street, Al Rawdah District
P.O. Box 3528
Jeddah 23435, Saudi Arabia

Following is the branch of the Company:

Branch	Commercial Registration Number:
Riyadh	1010421871

The purpose of the Company is to transact cooperative insurance operations and all related activities including reinsurance and agency activities. Its principal line of business include only The Company is licensed to underwrite medical insurance only.

On 27 Rajab 1432H (corresponding to 29 June 2011), the Law on the Supervision of Cooperative Insurance Companies ("Insurance Law") was promulgated by Royal Decree Number (M/49). On 27 February 2012, the Saudi Arabian Monetary Authority ("SAMA"), as the principal authority responsible for the application and administration of the Insurance Law and its Implementing Regulations, granted the Company a license to transact insurance activities in the Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

(a) Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax', which requires, adoption of all IFRSs as issued by the International Accounting Standards Board ("IASB"). As per the SAMA Circular no. 381000074519 dated 11 April 2017 instead of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" 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. As the Company's accounting policy for zakat and tax has always been consistent with SAMA's new guidance, the adoption of the guidance has not resulted in any changes in the accounting policies, accounting treatment or amounts reported in the current or prior years.

The financial statements are prepared under the going concern basis (note 4) and the historical cost convention, except for the measurement of investments (excluding held-to-maturity) at their fair value. The Company's statement of financial position is presented in order of liquidity. Except for property and equipment, statutory deposit, end-of-service indemnities, outstanding claims, claims incurred but not reported, all other assets and liabilities are of short-term nature, unless, stated otherwise.

2. BASIS OF PREPARATION – (continued)

(a) Basis of preparation – (continued)

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and presents the financial information accordingly. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. Similarly, in the past, the Company's annual financial statements presented separately the statements of financial position, income, comprehensive income and cash flows for the insurance operations and shareholders operations. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

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, transactions and unrealised gains or losses, 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 accordance with the by-laws of the Company, the surplus arising from the Insurance Operations is distributed as follows:

Shareholders	90%
Policyholders	10%
	100%

In case of deficit arising from the Insurance Operations, the entire deficit is allocated and transferred to Shareholders' Operations.

The statement of financial position, statements of income and statement of comprehensive income and cash flows of the insurance operations and shareholders operations which are presented on pages 54 to 59 of the financial statements have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

In preparing 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 29 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.

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

2. BASIS OF PREPARATION – (continued)

(b) Functional and presentation currency

These financial statements have been presented in Saudi Arabian Riyals (SAR), which is also the functional currency of the Company. All financial information presented in Saudi Arabian Riyal has been rounded to the nearest thousand, except where otherwise indicated.

(c) Fiscal year

The Company follows a fiscal year ending December 31.

(d) Critical accounting judgments, estimates and assumptions

The preparation of the financial statements requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Following are the accounting judgments and estimates that are critical in preparation of these financial statements:

i) The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimates are made at the end of the reporting period both for the expected ultimate cost of claim reported and for the expected ultimate costs of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. A range of methods such as Chain Ladder Method, Bornhuetter-Ferguson Method and Expected Loss Ratio Method are used by the actuaries to determine these provisions. Actuary had also used a segmentation approach including analyzing cost per member per year for medical line of business. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

2. BASIS OF PREPARATION – (continued)

(d) Critical accounting judgments, estimates and assumptions – (continued)

ii) Impairment of financial assets

The Company determines that financial assets are impaired when there has been a significant or prolonged decline in the fair value of the financial assets below its cost. The determination of what is significant or prolonged requires judgment. A period of 12 months or longer is considered to be prolonged and a decline of 25% from original cost is considered significant as per Company policy. 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.

iii) Impairment of receivables

A provision for impairment of receivables 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, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired.

iv) Fair value of financial instruments

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

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

(e) Seasonality of operations

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

3. 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 (change in accounting policy, if any) and adoption of the amendments to existing standards mentioned below which has had no material impact on these financial statements on the current year or prior years and is expected to have an insignificant effect in future years:

a. New IFRS, International Financial Reporting and Interpretations Committee's interpretations (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.

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 IFRSs. However, 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 benefits

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.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective

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

Standard/ Interpretation	***Description***	***Effective from periods beginning on or after the following date***
IFRS 9	Financial Instruments	Refer below
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
IFRS 17	Insurance Contracts (note below)	1 January 2022

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

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

- All financial assets will be measured at either amortised cost or fair value. The basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. The standard retains most of IAS 39's requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value changes attributable to own credit is to be recognised in other comprehensive income instead of the statement of income.
- 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 we 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.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective – (continued)

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 statement of financial position. The Company has decided not to early adopt this new standard, and 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:

i. Insurance contracts

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

ii. Revenue Recognition

Recognition of premium

Premiums are recorded in the statement of income based on straight line method over the insurance policy coverage period. Unearned premiums are calculated on a straight line method over the insurance policy coverage

Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premium is taken to the statement of income in the same order that revenue is recognised over the period of risk.

Reinsurance assumed

The Company also assumes reinsurance risk in the normal course of business for Medical insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to insurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the EIR method when accrued.

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

Investment income

Investment income on debt instruments classified under held to maturity investments and murabaha deposits are accounted for on an effective interest basis.

Dividend income

Dividend income on equity instruments classified under fair value through statement of income (FVSI) investments is recognized when the right to receive payment is established.

iii. Claims

Claims consist of amounts payable to policyholders and third parties and related loss adjustment expenses, net of salvage and other recoveries. Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the statement of financial position date together with related claims handling costs, whether reported by the insured or not. Provisions for reported claims not paid as of the statement of financial position date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported including related claims handling costs at the statement of financial position date.

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

iv. Reinsurance contracts held

Reinsurance is distributed between treaty, facultative, stop loss and excess of loss reinsurance contracts. Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts in Note 4(b) are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts. An asset or liability is recorded in the statement of financial position representing payments due from reinsurers, the share of losses recoverable from reinsurers and premiums due to reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income as incurred. For details please refer 4(n). Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

v. Deferred policy acquisition costs

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate, similar to premiums earned. All other acquisition costs are recognized as an expense when incurred. Amortization is recorded in the "Policy acquisition costs" in the statement of income. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimate. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of income. Deferred policy acquisition costs are also considered in the liability adequacy test at each reporting date.

vi. Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the insurance contracts liabilities net of related deferred policy acquisition costs. In performing these tests management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of income by establishing a provision for losses arising from liability adequacy tests accordingly.

vii. Receivables

Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. Premiums and reinsurance balances receivable are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in "Other general and administrative expenses" in the statement of income. Receivable balances are derecognised when the Company no longer controls the contractual rights that comprise the receivable balance, which is normally the case when the receivable balance is sold, or all the cash flows attributable to the balance are passed through to an independent third party. Receivables disclosed in note 7 fall under the scope of IFRS 4 "Insurance contracts".

viii. Investments

i. Available for sale investments

Available-for-sale financial assets are those non-derivative financial assets that are neither classified as held for trading or held to maturity or loans and receivables, nor are designated at fair value through profit or loss. Such investments are initially recorded at cost, being the fair value of the consideration given including transaction costs directly attributable to the acquisition of the investment and subsequently measured at fair value. Cumulative changes in fair value of such investments are recognized in other comprehensive income in the statement of comprehensive income under "Net change in fair value – Available for sale investments". Realized gains or losses on sale of these investments are reported in the related statements of income under "Realized gain / (loss) on investments available for sale investments." Dividend, commission income and foreign currency gain/loss on available-for-sale investments are recognized in the related statements of income or statement of comprehensive income - shareholders operations, as part of the net investment income / loss. Any significant or prolonged decline in fair value of available-for-sale investments is adjusted for and reported in the related statement of comprehensive income, as impairment charges. Fair values of available-for-sale investments are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics. For unquoted investments, fair value is determined by reference to the market value of a similar investment or where the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

Reclassification:

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

ii. Held as FVSI

Investments in this category are classified if they are held for trading or designated by management as FVSI on initial recognition. Investments classified as trading are acquired principally for the purpose of selling or repurchasing in short term and are recorded in the statement of financial position at fair value. Changes in fair value are recognized in net trading income/loss.

An investment may be designated at FVSI by the management, at initial recognition, if it satisfies the criteria laid down by IAS 39 except for the equity instruments that do not have a quoted price in an active market and whose fair values cannot be reliably measured.

Investments at FVSI are recorded in the statement of financial position at fair value. Changes in the fair value are recognised in the statement of income for the year in which it arises. Transaction costs, if any, are not added to the fair value measurement at initial recognition of FVSI investments. Special commission income and dividend income on financial assets held as FVSI are reflected as either trading income or income from FVSI financial instruments in the statement of income.

Reclassification:

Investments at FVSI are not reclassified subsequent to their initial recognition, except that non-derivative FVSI instrument, other than those designated as FVSI upon initial recognition, may be reclassified out of the FVSI fair value through the statement of income (i.e., trading) category if they are no longer held for the purpose of being sold or repurchased in the near term, and the following conditions are met:

- If the financial asset would have met the definition of loans and receivables, if the financial asset had not been required to be classified as held for trading at initial recognition, then it may be reclassified if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

- If the financial asset would not have met the definition of loans and receivables, and then it may be reclassified out of the trading category only in 'rare circumstances'.

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

iii. Held to maturity

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

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

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

- Sales or reclassifications that are so close to maturity that the changes in market rate of commission would not have a significant effect on the fair value
- Sales or reclassifications after the Company has collected substantially all the assets' original principal
- Sales or reclassifications attributable to non-recurring isolated events beyond the Comapny's control that could not have been reasonably anticipated.

iv. De-recognition of financial instruments

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

v. Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation.

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

vi. Trade date accounting

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

vii. Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include:

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

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

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

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

In the case of debt instruments classified as available for sale, the Company assesses individually whether there is an objective evidence of impairment. Objective evidence may include indications that the borrower is experiencing significant financial difficulty, default or delinquency in special commission income or principal payments, the probability that it will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of income and statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to credit event occurring after the impairment loss was recognized in the statement of income and statement of comprehensive income, the impairment loss is reversed through the statement of income and statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

xii. Impairment of financial assets – (continued)

In the case of debt instruments classified as available for sale, the Company assesses individually whether there is an objective evidence of impairment. Objective evidence may include indications that the borrower is experiencing significant financial difficulty, default or delinquency in special commission income or principal payments, the probability that it will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of income and statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to credit event occurring after the impairment loss was recognized in the statement of income and statement of comprehensive income, the impairment loss is reversed through the statement of income and statement of comprehensive income.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

viii. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred. Land is not depreciated. The cost of other items of property and equipment is depreciated on the straight line method to allocate the cost over estimated useful lives, as follows:

Leasehold improvements	3
Computer equipment	4
Motor vehicles	5
Furniture, fittings and office equipment	4 – 10

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate. The carrying values of these assets are reviewed for impairment when event or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Capital work-in-progress includes property that is being developed for future use. When commissioned, capital work-in-progress will be transferred to the respective category within property and equipment, and depreciated in accordance with the Company's policy.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in "Other income, net" in the statement of income.

ix. Intangible assets

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

Software	4
Licenses	4

x. Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to statement of income within operating expenses on a straight-line basis over the period of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

xi. Impairment of non-financial assets

Assets that have an indefinite useful life – for example, land – are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

xii. Employees' end-of-service benefits

The Company operates an end of service benefit plan for its employees based on the prevailing Saudi Labor Laws. 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. Remeasurements (actuarial gains/ losses) as a result of experience adjustments and changes in actuarial assumptions are recognised in statement of comprehensive income.

xiii. Zakat and income tax

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

xiv. Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

xv. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and balances with banks including murabaha deposits with less than three months maturity from the date of acquisition.

xvi. Cash flow statement

The Company's main cash flows are from insurance operations which are classified as cash flow from operating activities. Cash flows generated from investing and financing activities are classified accordingly.

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

xvii. Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to Saudi Riyals at the rate of exchange prevailing at the statement of financial position date. All differences are taken to the statements of income and comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Foreign exchange gains or losses on available-for-sale investments are recognized in "Other income, net" in the statement of income and statement of comprehensive income. As the Company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant.

xviii. Operating segments

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments. For management purposes, the Company is organized into business units based on their products and services and has the following reportable segments:

- Medical - coverage for health insurance.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions. No inter-segment transactions occurred during the year.

xix. Statutory reserves

In accordance with the Company's by-laws, the Company shall allocate 20% of its net income from shareholders operations each year to the statutory reserve until it has built up a reserve equal to the share capital. The reserve is not available for distribution.

xx. Fair values

The fair value of financial assets are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flow using commission for items with similar terms and risk characteristics.

For financial assets where there is no active market, fair value is determined by reference to the market value of a similar financial assets or where the fair values cannot be derived from active market, they are determined using a variety of valuation techniques. The inputs of this models is taken from observable market where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

xxi. Accounts payable and accruals

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

xxii. 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.

xxiii. Provision for outstanding claims

Judgement by management is required in the estimation of amounts due to policyholders and third parties 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 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, on a monthly 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 insurance operations and accumulated surplus for that year. The provision for outstanding claims, as at 31 December, is also verified and certified by an independent actuary.

4. GOING CONCERN

On 8 May 2018, the Company announced on Tadawul that as on 31 March 2018, the Company's accumulated losses reached 74.5% of its share capital. Further, on 10 June 2018, in an Extraordinary General Assembly Meeting, it was resolved to reduce the Company's share capital from SR 200 million to SR 100 million. Accordingly, the Company absorbed SR 100 million of accumulated losses against its share capital of 10 million shares. Subsequent to the reduction, as of 30 June 2018 and 30 September 2018, Company's accumulated losses represents 26.19% and 23.08% of the share capital, respectively.

On 27 May 2018, the Company received a letter from SAMA regarding non-compliance with the solvency requirement. As at 31 December 2018, the Company is not in full compliance with Article 66 of SAMA Insurance Implementing Regulations in relation to its solvency requirements (note 23). Further, SAMA instructed the Company to hire an independent consultant within 15 working days to perform a detailed review over the weaknesses and observations identified and update SAMA weekly on the progress. The Company has submitted the report as received from independent consultant to SAMA regarding the improvement in solvency requirement.

On 18 July 2018, the Company received a letter from SAMA indicating issues concerning the risk assessment procedures, corporate governance, contingency planning and internal control environment among other things (Note 23). Further, SAMA instructed the Company to hire an independent consultant within 15 working days to perform a detailed review over the weaknesses and observations identified and to provide final report from the consultant to SAMA within 60 working days from the date of the original letter. The Company has taken necessary actions to comply with SAMA's letter and has appointed the consultant to report on deficiencies in risk assessment procedures, corporate governance and other related matters. On 18 October 2018, the Company has submitted the report as received from consultant to SAMA.

On 12 December 2018, in an extra ordinary general meeting, the shareholders' approved to increase the share capital by SR 200 million through right issue. Subsequently to the year-end, the right issue procedures had finalized and the Company received the increased share capital on 16 January 2019. On 24 January 2019, the Company received a letter from SAMA uplifting the suspension on underwriting business.

These conditions raised uncertainty on the Company's ability to continue as a going concern. However, subsequent to the increase in share capital and uplifting the suspension on Company underwriting in subsequent period, the management reconsidered the financial position and is satisfied that the going concern basis of preparation of the financial statements is appropriate. Accordingly, the financial statements has been prepared on the going concern basis.

5. CASH AND CASH EQUIVALENTS

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

	Insurance operations	
	2018	2017
	SAR'000	
Bank balances and cash	**16,484**	32,389
	16,484	32,389

	Shareholders' operations	
	2018	2017
	SAR'000	
Bank balances and cash	**21**	27
Deposits maturing within 3 months from the acquisition date	**40,216**	396
	40,237	423

6. MURABAHA DEPOSITS

Murabaha deposits having original maturity of more than three months but less than a year, amounting to SR 82,882 thousand (2017: SR 134,863 thousand), which are held in Saudi Arabian Riyals in the Kingdom of Saudi Arabia, are presented in the statement of financial position of the shareholders separately. As of 31 December 2018, the deposit carrying commission rates ranges from 1.9% to 3.1% (31 December 2017: the deposit carrying commission rates ranges from 1.9% to 3%).

7. PREMIUMS RECEIVABLE – NET

Receivables comprise amounts due from the following:

	2018	2017
	SAR'000	
Policyholders	**16,635**	92,829
Brokers and agents	**15,211**	35,773
Related parties (note 20)	**1,911**	2,757
	33,757	131,359
Provision for doubtful receivables	**(16,328)**	(16,469)
Premiums receivable – net	**17,429**	114,890

Note: Premium balances receivable from brokers and agents at 31 December 2018 amounting to SAR 15.2 million (31 December 2017: SAR 35.7 million) are ultimately due from customers that are insured through brokers and agents.

7. PREMIUMS RECEIVABLE – NET - (continued)

Movement in the allowance for doubtful premiums receivable during the year was as follows:

	2018	2017
	SR'000	
Balance at the beginning of the year	16,469	6,573
Release / (provision) during the year	(122)	9,896
Write-offs during the year	(19)	-
Balance at the end of the year	**16,328**	16,469

The ageing of unimpaired premium receivables arising from insurance contracts is as follows:

	Up to three months	Above three and up to six months	Above six and up to twelve months	Above twelve months	Total
			SR'000		
31 December 2018	**1,193**	**1,262**	**10,794**	**4,180**	**17,429**
31 December 2017	70,820	20,034	22,190	1,846	114,890

Balances up to three months are considered neither past due nor impaired. Balances above three months are past due but not impaired. Unimpaired receivables are expected, on the basis of experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables.

In respect of premium receivables, ten major customers account for 19.3% of the balance as at 31 December 2018 (31 December 2017: 36.5%).

8. INVESTMENTS

Investments are classified as follows:

8.1

	Shareholders' operations	
	2018	2017
	SAR'000	
- Held as FVSI	**7,695**	7,638
- Held to maturity	**5,000**	26,851
	12,695	34,489

8. INVESTMENTS - (continued)

Movement in the Fair value through statement of income (FVSI) investment balance is as follows:

	Shareholders' operations	
	2018	2017
	SAR'000	
Opening balance	**7,638**	9,964
Purchases during the year	**-**	10,000
Disposals during the year	**-**	(12,196)
Changes in fair value of investments	**57**	(130)
Closing balance	**7,695**	7,638

	2018	2017
	SR'000	
Al Badr Murabaha Fund	**7,044**	6,930
Saudi Fransi GCC IPO Fund	**651**	708
	7,695	7,638

Movement in held to maturity investment balance is as follows:

	Shareholders' operations	
	2018	2017
	SAR'000	
Opening balance	**26,851**	25,028
Placement during the year	**-**	6,851
Matured during the year	**(21,886)**	(4,975)
Amortization of held to maturity investments	**35**	(53)
Closing balance	**5,000**	26,851

9. DEFERRED POLICY ACQUISITION COST

Insurance operations	**2018**	2017
	SAR'000	
Balance at the beginning of the year	**8,924**	2,511
Additions during the year	**6,890**	16,323
Amortised during the year	**(14,779)**	(9,910)
Balance at the end of the year	**1,035**	8,924

10. INTANGIBLES ASSETS

	2018	2017
	SR'000	
Insurance Operations		
Cost:		
Balance at the beginning of the year	**21,351**	21,284
Additions during the year	**707**	67
Balance at the end of the year	**22,058**	21,351
Amortization:		
Balance at the beginning of the year	**19,955**	17,982
Charge for the year	**942**	1,973
Balance at the end of the year	**20,897**	19,955
Net book value as at 31 December	**1,161**	1,396

Intangible assets consist mainly of computer software used for the benefit of insurance operations.

11. PROPERTY AND EQUIPMENT

Insurance Operations	*Leasehold improvements*	*Computer equipment*	*Motor vehicles*	*Furniture fittings and office equipment*	*Total*
			SR'000		
Cost:					
At 1 January 2017	4,165	8,681	294	2,409	15,549
Additions during the year	240	312	339	157	1,048
Disposal during the year	-	-	(184)	-	(184)
At 31 December 2017	4,405	8,993	449	2,566	16,413
Additions during the year	287	964	-	66	1,317
At 31 December 2018	**4,692**	**9,957**	**449**	**2,632**	**17,730**
Accumulated depreciation:					
At 01 January 2017	4,038	8,497	294	1,354	14,183
Charge for the year	118	91	53	222	484
Disposal during the year	-	-	(184)	-	(184)
At 31 December 2017	4,156	8,588	163	1,576	14,483
Charge for the year	187	329	68	217	801
At 31 December 2018	**4,343**	**8,917**	**231**	**1,793**	**15,284**
Net book value as at 31 December 2018	**349**	**1,040**	**218**	**839**	**2,446**
Net book value as at 31 December 2017	249	405	286	989	1,930

12. PREPAID EXPENSES AND OTHER ASSETS

	2018	2017
	SR'000	
Insurance Operations		
Prepayments	1,624	1,696
Advances to suppliers	2,557	2,798
Input VAT	6,532	6,705
Margin deposit (note 15 & 21)	-	13,045
Others	3,549	3,562
	14,262	27,806

Shareholders' Operations	2018	2017
	SR'000	
Accrued income	1,069	819
Prepaid expenses	50	102
	1,119	921

13. STATUTORY DEPOSIT

As required by SAMA implementing Regulations, the Company deposited an amount equivalent to 15% of its paid up share capital, amounting to SR 30 million, in a bank designated by the Saudi Arabian Monetary Authority ("SAMA"). This statutory deposit cannot be withdrawn without the consent of SAMA, and commission accruing on this deposit is payable to SAMA. On 10 June 2018, the Company has reduced its share capital by SR 100 million (note 22) but has not withdrawn the surplus statutory deposit of SR 15 million as of 31 December 2018.

14. TECHNICAL RESERVES

14.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	2018	2017
	SAR'000	
Outstanding claims reserve	44,408	34,542
Claims Incurred but not reported	15,943	14,108
	60,351	48,650
Premium deficiency reserve	2,441	-
Other technical reserves	572	487
	63,364	49,137
Less:		
- Reinsurers' share of outstanding claims reserve	(5,857)	-
- Reinsurers' share of claims incurred but not reported	(2,103)	(798)
- Reinsurers' share of premium deficiency reserve	(610)	-
	(8,570)	(798)
Net outstanding claims and reserves	54,794	48,339

14. TECHNICAL RESERVES – (continued)

14.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	2018		
	Gross	**Reinsurance**	**Net**
		SAR'000	
Balance as at the beginning of the year	148,377	-	148,377
Premium written during the year	138,244	(22,358)	115,886
Premium earned during the year	(266,283)	22,358	(243,925)
Balance as at the end of the year	**20,338**	**-**	**20,338**

	2017		
	Gross	Reinsurance	Net
		SAR'000	
Balance as at the beginning of the year	64,740	(9,424)	55,316
Premium written during the year	274,822	(6,679)	268,143
Premium earned during the year	(191,185)	16,103	(175,082)
Balance as at the end of the year	148,377	-	148,377

15. COMMITMENTS AND CONTINGENCIES

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

	2018	2017
	SAR'000	
Letters of guarantee	**13,045**	13,045
Total	**13,045**	13,045

b. There were no capital commitments outstanding as at 31 December 2018 (31 December 2017: Nil).

c. As at 31 December 2018, a payment guarantee amounting to SR 0.5 million (31 December 2017: SR 0.5 million) was issued to the medical service providers on behalf of the Company.

d. As at 31 December 2018, the Company has a letter of guarantee amounting to SR 12.545 million (31 December 2017: SR 12.545 million) in favor of General Authority of Zakat and Tax (GAZT) (see note 21), which is secured against the Company Murabaha deposit of SR 14 million (31 December 2017: SR Nill) with Saudi Arabian British Bank.

16. END OF SERVICE IMDEMNITIES

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. 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:

16.1 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 SAR'000
Present value of defined benefit obligation	5,808
	5,808

16.2 Movement of defined indemnities obligation

	2018 SAR'000
Opening balance	4,207
Charge to statement of income	2,834
Charge to statement of other comprehensive income	(774)
Payment of benefits during the year	(459)
Closing balance	5,808

16.3 Reconciliation of present value of defined indemnities obligation

	2018 SAR'000
Opening balance	4,207
Current service costs	2,621
Financial costs	213
Actuarial loss from experience adjustments	(774)
Benefits paid during the year	(459)
	5,808

16. END OF SERVICE IMDEMNITIES – (continued)

16.4 Principal actuarial assumptions

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

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

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

Valuation discount rate	2018
	SAR'000
- Increase by 1%	(629)
- Decrease by 1%	752
Expected rate of increase in salary level across different age bands	
- Increase by 1%	752
- Decrease by 1%	(641)

	2018
Projected future indemnities payment (5 years)	SAR'000
2019	488
2020	415
2021	469
2022	664
2023	2,411

The average duration of the defined indemnities plan obligation at the end of the reporting period is 13.5 years.

17. MOVEMENT IN OUTSTANDING RESERVES AND OTHER TECHNICAL RESERVES

	2018			2017		
	Gross	Due from reinsurers	Net	Gross	Due from reinsurers	Net
		SR '000			SR '000	
Outstanding claims	34,542		34,542	27,420	(11,438)	15,982
Incurred but not reported reserves	14,108	(798)	13,310			
Other technical reserves	487	-	487	-	-	-
Balance – 1 January	49,137	(798)	48,339	27,420	(11,438)	15,982
Claim paid	(289,273)	28,021	(261,252)	(111,574)	24,292	(87,282)
Claims incurred	300,974	(35,183)	265,791	133,291	(13,652)	119,639
Premium deficiency reserve	2,441	(610)	1,831	-	-	-
Other technical reserves	85	-	85			
Balance – 31 December	63,364	(8,570)	54,794	49,137	(798)	48,339
Outstanding claims	44,408	(5,857)	38,551	49,137	(798)	48,339
Incurred but not reported reserves	15,943	(2,103)	13,840			
Premium deficiency reserve	2,441	(610)	1,831	-	-	-
Other technical reserves	572	-	572			
Total	63,364	(8,570)	54,794	49,137	(798)	48,339

Claims Triangulation Analysis by accident year

The following reflects the cumulative incurred claims, including both claims notified and incurred but not reported for each successive accident year at each financial position date, together with the cumulative payments to date. The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the claims. The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences will be eliminated which results in the release of reserves from earlier accident years. In order to maintain adequate reserves, the Company transfers much of this release to the current accident year reserves when the development of claims is less mature and there is much greater uncertainty attached to the ultimate cost of claims.

2018 Accident year	2014 & earlier	2015	2016	2017	2018	Total
SR '000						
Gross estimate of ultimate claims costs:						
At the end of accident year	46,288	35,578	69,009	131,513	257,579	257,579
One year later	49,581	36,890	70,596	177,450	-	177,450
Two years later	49,632	37,082	70,591	-	-	70,591
Three years later	49,632	37,071	-	-	-	37,071
Four years later	49,632	-	-	-	-	49,632
Five years later	21,613	-	-	-	-	21,613
Current estimate of cumulative claims	71,245	37,071	70,591	177,450	257,579	613,936
Cumulative payments to date	(71,245)	(37,071)	(70,591)	(177,448)	(194,217)	(550,572)
Liability recognised in statement of financial position	-	-	-	2	63,362	63,364

17. MOVEMENT IN OUTSTANDING RESERVES AND OTHER TECHNICAL RESERVES – (continued)

2017

Accident year	2013	2014	2015	2016	2017	Total
SR '000						
Gross estimate of ultimate claims costs:						
At the end of accident year	21,237	46,288	35,578	69,009	131,513	131,513
One year later	23,198	49,581	36,890	70,596	-	70,596
Two years later	21,613	49,632	37,082	-	-	37,082
Three years later	21,613	49,632	-	-	-	49,632
Four years later	21,613	-	-	-	-	21,613
Current estimate of cumulative claims	21,613	49,632	37,082	70,596	131,513	310,436
Cumulative payments to date	(21,613)	(49,632)	(37,082)	(69,884)	(83,088)	(261,299)
Liability recognised in statement of financial position	-	-	-	712	48,425	49,137

2018

Accident year	**2014 & earlier**	**2015**	**2016**	**2017**	**2018**	**Total**
SR '000						
Net estimate of ultimate claims costs:						
At the end of accident year	**23,144**	**17,789**	**36,776**	**117,396**	**233,159**	**233,159**
One year later	**24,791**	**18,445**	**39,019**	**150,598**		**150,598**
Two years later	**24,816**	**18,445**	**38,159**			**38,159**
Three years later	**24,816**	**18,445**				**18,445**
Four years later	**24,816**					**24,816**
Five years later	**10,807**					**10,807**
Current estimate of cumulative claims	**35,623**	**18,445**	**38,159**	**150,598**	**233,159**	**475,984**
Cumulative payments to date	**(35,623)**	**(18,445)**	**(38,159)**	**(150,597)**	**(178,366)**	**(421,190)**
Liability recognised in statement of financial position	**-**	**-**	**-**	**1**	**54,793**	**54,794**

2017

Accident year	2013	2014	2015	2016	2017	Total
SR '000						
Net estimate of ultimate claims costs:						
At the end of accident year	10,619	23,144	17,789	36,776	117,396	117,396
One year later	11,599	24,791	18,445	39,019	-	39,019
Two years later	10,807	24,816	18,445	-	-	18,445
Three years later	10,807	24,816	-	-	-	24,816
Four years later	10,807	-	-	-	-	10,807
Current estimate of cumulative claims	10,807	24,816	18,445	39,019	117,396	210,483
Cumulative payments to date	(10,807)	(24,816)	(18,445)	(38,583)	(69,493)	(162,144)
Liability recognised in statement of financial position	-	-	-	436	47,903	48,339

18. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

Determination of fair value and fair value hierarchy

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

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

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

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

a. Carrying amounts and fair value

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

b. Carrying amounts and fair value

Shareholders' Operations		**Fair value**			
	Carrying value	**Level 1**	**Level 2**	**Level 3**	**Total**
			SAR'000		
31 December 2018					
Financial assets measured at fair value					
- Investments held as FVSI	7,695	7,695	-	-	7,695
	7,695	**7,695**	**-**	**-**	**7,695**
Financial assets not measured at fair value					
- Held to maturity investments	5,000	-	5,008	-	5,008
- Murabaha deposits	82,882	-	-	83,724	83,724
	87,882	**-**	**5,008**	**83,724**	**88,732**

18. FAIR VALUES OF FINANCIAL INSTRUMENTS – (continued)

Shareholders' Operations		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
			SAR'000		
31 December 2017					
Financial assets measured at fair value					
- Investments held as FVSI	7,638	7,638	-	-	7,638
	7,638	7,638	-	-	7,638
Financial assets not measured at fair value					
- Held to maturity investments	26,851	-	26,939	-	26,939
- Murabaha deposits	134,863	-	-	135,594	135,594
	161,714	-	26,939	135,594	162,533

19. OPERATING SEGMENTS

A segment is a distinguishable component of the Company that is engaged in providing only Medical – coverage for health insurance, which is subject to risk and rewards. For management purposes, the Company is organized into business units based on their only Medical - coverage for health insurance product and service.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions. No inter-segment transactions occurred during the year.

20. TRANSACTIONS WITH RELATED PARTIES

Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors. The following are the details of the major related party transactions during the year and the related balances:

	Nature of transactions	Transactions for year ended		Balance receivable / (payable) as at	
		31 December 2018	31 December 2017	**31 December 2018**	31 December 2017
		SAR'000			
Major shareholders					
Munich Re	Reinsurance ceded	-	(1,153)	-	-
Claims paid	Claims recovered	-	18,596	-	-
Other recoveries	Other recoveries	-	-	**1,587**	1,587
Entities controlled, jointly controlled or significantly influenced by related parties					
Related parties of Juffali Group – (affiliates)	Insurance premium written	**2,627**	2,691	**1,911**	2,757
	Office rent	-	30	-	-
	Claims paid	**3,716**	3,067	-	-
	Purchase of computer equipment, licenses, vehicles and other services	**27**	216	-	-
	Commission paid	**332**	153	-	-

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

	2018	2017
	SAR'000	
Salaries and other allowances	**4,074**	4,043
End of service indemnities	**151**	149
	4,225	4,192

21. ZAKAT AND INCOME TAX

a. Charge for the year

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

Movements in provision during the year	2018	2017
	SAR'000	
Balance at the beginning of the year	**8,298**	6,699
Charge for the year	**2,400**	2,300
Paid during the year	**-**	(701)
Balance at the end of the year	**10,698**	8,298

As the Company has incurred a loss during the year ended 31 December 2018, and in previous years, no provision has been established in respect of income tax in these financial statements.

b. Status of zakat assessments

The Company has filed its Zakat and tax return for the first twelve month year ended 30 June 2012 with the General Authority of Zakat and Tax ("GAZT"). The Company has also filed its Zakat and income tax return for the long year from 8 February 2012 to 31 December 2013 and for the years from 2014 to 2017 and obtained restricted zakat certificates.

The GAZT issued final assessment for the years 2011 to 2014 with an additional Zakat liability of SR 12.545 million. The Company has filed an appeal against such assessment. The Company submitted an appeal against the GAZT treatment and is confident of a favourable outcome. Accordingly, no provision has been established in this regard in these financial statements.

During 2017, the Company filed an appeal to the Appellate Committee for Zakat and Tax Appeal ("ACZTA") against the Preliminary Objection Committee's ("POC") decision for the years 2011 through 2014 and lodged a bank guarantee of SR 12.545 million, with respect to additional zakat liability.

Zakat base has been computed based on the Company's understanding of the zakat regulations enforced in the Kingdom of Saudi Arabia. The Zakat regulations in Saudi Arabia are subject to different interpretations, and the assessments to be raised by the GAZT could be different from the declarations filed by the Company. The Zakat is applicable on 81% of the shareholders' while Income Tax on 19% of the shareholders'.

22. SHARE CAPITAL

The authorized, subscribed and paid up share capital of the Company was SR 200 million, divided into 20 million shares of SR 10 each.

On 9 May 2018, the Board of Directors had recommended reducing the Company's share capital from SR 200 million to SR 100 million divided into 10 million shares by offsetting with accumulated losses. In an extra-ordinary general meeting (second meeting) held on 26 Ramadan 1439H corresponding to 10 June 2018, the shareholders' of the Company have approved this reduction and the required changes in the Company by-laws relating to this reduction, accordingly the share capital and accumulated losses have been reduced by SR 100 million. The capital reduction was through reduction of 1 share for every 2 shares held by the shareholder. The purpose of capital reduction was to restructure the capital position of the Company in order to meet the compliance with the Companies Law. There will be no impact of capital reduction on the Company's financial obligations.

On 25 Rabi Al-Awwal 1439H, corresponding to 13 December 2017, the Board of directors had recommended an increase in the Company's capital through offering a rights issue with a total value of SR 200 million. The Company on 10 July 2018 and 1 November 2018 received approval from SAMA and CMA, respectively. On 12 December 2018, the shareholders in extra ordinary general meeting approved the increase of Share Capital by SR 200 million through right issue by offering 2 shares for every 1 share held by the shareholder. Subsequent to the year-ended 31 December 2018, the right share procedures had finalized and the capital deposited on 16 January 2019. As of the date of approval of these financial statements, the Company is in the process of finalizing the legal formalities including updating of Company Commercial Registration Certificate, by-laws amongst others legal formalities.

As at 31 December 2018, the authorised, subscribed and paid up share capital of the Company is SR 100 million, divided into 10 million shares of SR 10 each.

23. CAPITAL MANAGEMENT

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

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares. In the opinion of the Board of Directors, the Company has not fully complied with the externally imposed capital requirements during the reported financial period. On 12 Ramadan 1439H, corresponding to 27 May 2018, the Company received a letter from Saudi Arabian Monetary Authority (SAMA) regarding the suspension of underwriting of new or renewal of existing medical policies. SAMA also required the Company to appoint an approved advisor to study the reasons for the weak financial position and recommend solutions to improve the situation. The Company has submitted the report as issued by the appointed consultant as required by SAMA.

On 18 July 2018 corresponding to 5 Dhul Qaedah 1439H, the Company received a letter from SAMA concerning issues regarding risk assessment procedures, corporate governance, contingency planning and internal control environment amongst other things. The Company is required by SAMA to appoint an independent consultant approved by them within 15 working days and submit the required report and recommend solutions to improve the situation within 60 working days. The Company hired the consultant and submitted the report as received from consultant to SAMA.
Subsequent to the year-end, on 24 January 2019, the Company received a letter from SAMA uplifting the ban on underwriting business.

24. SUBSEQUENT EVENT

Subsequent to 31 December 2018, the Company has finalized procedures related to increase in share capital of SR 200 million through right issue. The share capital proceeds has deposited on 16 January 2019. After meeting all the legal formalities, the Company share capital will be SR 300 million consisting of 30 million shares.
On 24 January 2019, the Company received a letter from SAMA uplifting the ban imposed on 27 May 2018 and allowing the Company to underwrite new business.

25. LOSS PER SHARE

Loss per share for the year has been calculated by dividing the net income/(loss) for the year by the weighted average number of issued and outstanding shares for the year. The Company has decreased its share capital by offsetting with accumulated losses (note 22), as a result the weighted average number of ordinary shares issued and outstanding in the prior year has been restated to 10 million shares and accordingly loss per share is restated.

26. GENERAL AND ADMINISTRATIVE EXPENSES

	2018	*2017*
Insurance Operations	**SAR'000**	
Employee costs	**39,536**	36,814
Depreciation (note 11)	**801**	484
Amortization (note 10)	**942**	1,973
Rent expenses	**160**	2,260
Legal and professional fees	**1,696**	929
Repair and maintenance costs	**2,460**	1,224
Marketing expenses	**435**	255
Other expenses	**3,739**	3,427
	49,769	47,366

	2018	*2017*
Shareholders Operations	**SAR'000**	
Legal and professional fees	**2,106**	657
Investment related expenses	**235**	231
Subscriptions	**364**	251
Committee fees	**10**	78
Others	**484**	46
	3,199	1,263

27. 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 growth 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 its strategic planning process.

The strategy considers the impact of market conditions and available expertise on inherent risks to which the Company is exposed.

Risk management structure

Board of Directors

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

Audit committee

The Audit Committee is appointed by the Board of Directors. The Audit Committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting and risk management, the audit thereof and the soundness of the internal controls of the Company. The risks faced by the Company and the way these risks are mitigated by management are summarised below.

Insurance risk

Insurance risk is the risk that actual claims payable to policyholders exceed the carrying amount of insurance liabilities. 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. The Company only issues short term contracts not exceeding one year in connection with medical risks.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company only underwrites medical risks. Medical insurance is designed to compensate holders for expenses incurred in treatment of a disease, illness or injury. Medical insurance is primarily offered to corporate customers and a large population is covered under the policy. Claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Geographical concentration of risks

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

Independent actuarial review of claims and claims reserves

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

Key assumptions

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

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions such as the ultimate loss ratio with all other assumptions held constant showing the impact on net liabilities and net loss for the year.

27. RISK MANAGEMENT – (continued)

	Change in assumptions	Impact on liabilities *SR' 000*	Impact on net loss for the year *SR' 000*
Ultimate loss ratio – Insurance Operations			
Year ended 31 December 2018	**± 5%**	**± 12,196**	**± 11,013**
Year ended 31 December 2017	± 5%	± 8,754	± 6,845

Reinsurance risk
In common with other insurance companies, in order to minimise financial exposure arising from a high volume of claims or large claims, the Insurance Operations, in the normal course of business, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth.

Furthermore, to minimise its exposure to significant losses from reinsurers' insolvencies, the Insurance Operations evaluates the financial condition of its reinsurers. The Company has an Excess of Loss arrangement (XOL) with an international reinsurance company with Standard and Poors rating of "AA-". This reinsurance arrangement covers all individual and group contracts issued by the Insurance Operations in the Kingdom of Saudi Arabia.

The credit risk exposure in respect of reinsurer's share of outstanding claims, incurred but not reported claims and premium deficiency reserves is SR 8,570 thousand (31 December 2017: SR 798 thousand).

Regulatory framework risk
The operations of the Company are also 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.

Capital management (solvency) risk
Capital requirements are set and regulated by the SAMA. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximise shareholders' values.

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.

The following information summarizes the minimum regulatory capital of the Company:

	2018 **SR'000**	2017 SR'000
Minimum regulatory capital	**100,000**	200,000

27. RISK MANAGEMENT – (continued)

Financial risk

The Company's principal financial instruments are cash and cash equivalents, Murabaha deposits, premiums receivable, reinsurance receivable, other receivables, investments, amount due from a related party, amount due from Insurance Operations, outstanding claims, incurred but not reported claims, reinsurance balances payable, amount due to Shareholders' operations, amounts due to related parties and certain other liabilities.

The Company does not enter into derivative transactions. The main risks arising from the Company's financial instruments are market price risk, commission rate risk, foreign currency risk, credit risk and liquidity risk. The Board of directors 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 Shareholders' Operations are exposed to market risk with respect to their FVIS investments. A 5% change in the fair value of FVIS investments, with all other variables held constant, would impact the Shareholders' Operations by SR 385 thousands (2017 : SR 382 thousands).

Commission rate risk

Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to commission rate risk on its Murabaha deposits and held to the maturity investments.

The Company places Murabaha deposits which are realisable within three months and more than three months, with the exception of restricted deposits which are required to be maintained in accordance with regulations in Saudi Arabia on which the Company does not earn any commission. Management manages commission rate risk by monitoring changes in commission rates in the currencies in which its deposits are denominated.

Held to maturity investments are managed by the discretionary portfolio manager.

Details of maturities of the major classes of commission bearing securities as at 31 December are as follows:

Shareholder's Operations

	Less than 3 months	*3 months to 1 year*	*Above 1 year*	*No fixed maturity*	*Total*
2018			*SR '000*		
Murabaha deposits	**40,215**	**82,882**	**-**	**-**	**123,097**
Investments held to maturity	**-**	**-**	**5,000**	**-**	**5,000**
	40,215	**82,882**	**5,000**	**-**	**128,097**
2017					
Murabaha deposits	396	134,863	-	-	135,259
Investments held to maturity	-	-	26,851	-	26,851
	396	134,863	26,851	-	162,110

The insurance operations did not have any commission bearing assets as at 31 December 2018 and 2017. The maturities of deposits have been determined on the basis of the remaining period, at the statement of financial position date, to the contractual maturity date.

27. RISK MANAGEMENT – (continued)

Financial risk (continued)

The effective commission rates for the commission bearing financial instruments, at 31 December, were as follows:

	2018	*2017*
Shareholder's Operations		
Saudi Arabian Riyal denominated Murabaha deposits	**2.37%**	2.19%
Investments held to maturity	**2.24%**	2.51%

The Company had no deposits in currencies other than Saudi Arabian Riyals. Further, held to maturity investments include both local and foreign currency bonds.

The following information demonstrates the sensitivity statement of shareholders' operations to possible changes in commission rates, with all other variables held constant.

	2018	*2017*
	SR'000	
Shareholder's Operations		
Saudi Arabian Riyals:		
Increase in commission rates by 100 basis points	**1,281**	1,621
Decrease in commission rates by 100 basis points	**(1,281)**	(1,621)

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 Arabian Riyals and in United States Dollars. The Saudi Arabian Riyals is pegged to the US Dollar.

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 seeks to manage its credit risk with respect to customers by following the Company's credit control policy and monitoring outstanding receivables on an ongoing basis in order to reduce the Company's exposure to bad debts.

For all classes of financial instruments held by the Company, the maximum credit risk exposure is the carrying value as disclosed in the statement of financial position. The Company's credit risk exposure is primarily concentrated in Saudi Arabia. The Company maintains the exposures within limits. These limits have been set on the basis of the types of exposures and the credit rating or financial standing of the counterparty. The Company seeks to manage its credit risk with respect to other counterparties by placing deposits with reputable banks. The Company enters into reinsurance contracts with recognised, creditworthy parties (rated A or above).

27. RISK MANAGEMENT – (continued)

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

	2018	2017
	SR'000	
Insurance Operations		
Cash at banks (note 5)	**16,484**	32,389
Premium receivable, net (note 7)	**17,429**	114,890
Reinsurer's share of outstanding claims	**5,857**	-
Reinsurer's share of outstanding claims	**2,103**	798
Reinsurer's share of premium deficiency reserve	**610**	-
Amount due from shareholders' operations	**96,298**	37,203
Other receivables	**185**	185
	138,966	185,465

	2018	2017
	SR'000	
Shareholders' Operations		
Cash and cash equivalents (note 5)	**40,237**	423
Murabaha deposits (note 6)	**82,882**	134,863
Investments held to maturity	**5,000**	26,851
Statutory deposit	**30,000**	30,000
Other receivables	**3,437**	2,381
	161,556	194,518

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

27. RISK MANAGEMENT – (continued)

Insurance operations' financial assets

		Non-investment grade		
	Investment grade	***Satisfactory***	***Past due but not impaired***	***Total***
		SR' 000		
Cash and cash equivalents	**16,454**	**-**	**-**	**16,454**
Premiums receivable, net	**-**	**2,189**	**15,240**	**17,429**
Reinsurance share of outstanding claims	**-**	**5,857**	**-**	**5,857**
Reinsurance share of incurred but not reported claims	**-**	**2,107**	**-**	**2,107**
Reinsurance share of premium deficiency reserves	**-**	**610**	**-**	**610**
Amount due from shareholders' operations	**-**	**96,298**	**-**	**96,298**
Other receivables	**-**	**185**	**-**	**185**
As at 31 December 2018	**16,454**	**107,246**	**15,240**	**138,940**

		Non-investment grade		
	Investment grade	*Satisfactory*	*Past due but not impaired*	*Total*
		SR' 000		
Cash and cash equivalents	32,360	-	-	32,360
Premiums receivable, net	-	72,784	42,106	114,890
Reinsurance share of outstanding claims	-	798	-	798
Amount due from shareholders' operations	-	37,203	-	37,203
Other receivables	-	185	-	185
As at 31 December 2017	32,360	110,970	42,106	185,436

27. RISK MANAGEMENT – (continued)

Shareholders' operations' financial assets

		Non-investment grade		
	Investment grade	*Satisfactory*	*Past due but not impaired*	*Total*
			SR' 000	
Cash and cash equivalents	40,237	-	-	40,237
Investments	5,000	-	-	5,000
Other receivables	-	3,437	-	3,437
Statutory deposit	30,000	-	-	30,000
As at 31 December 2018	75,237	3,437	-	78,674

		Non-investment grade		
	Investment grade	*Satisfactory*	*Past due but not impaired*	*Total*
			SR' 000	
Cash and cash equivalents	423	-	-	423
Investments	26,851	-	-	26,851
Other receivables	-	2,381	-	2,381
Statutory deposit	30,000	-	-	30,000
As at 31 December 2017	57,274	2,381	-	59,655

Liquidity risk

Liquidity risk is the risk that 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 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 property and 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 insurance operations, amount due to related parties and certain other liabilities. All financial liabilities are non-commission bearing and are expected to be settled within 12 months from the date of statement of financial position, except end of service benefits, which are non-current in nature.

27. RISK MANAGEMENT – (continued)

Maturity profiles

Unearned premiums have been excluded from the analysis as they are not contractual obligations. The table below summarises the maturity profile of the financial liabilities of the Company based on remaining expected undiscounted contractual obligations:

	2018			
	Up to one year	*More than one year*	*No fixed maturity*	*Total*
		SR' 000		
INSURANCE OPERATIONS' FINANCIAL LIABILITIES				
Outstanding claims , IBNR, PDR and other technical reserves	**63,364**	**-**	**-**	**63,364**
Reinsurance balances payable	**939**	**-**	**-**	**939**
Accrued expenses and other liabilities	**66,462**	**-**	**5,808**	**72,270**
	130,765	**-**	**5,808**	**136,573**
SHAREHOLDERS' FINANCIAL LIABILITIES				
Accrued expenses and other liabilities	**6,963**	**-**	**-**	**6,963**
	6,963	**-**	**-**	**6,963**
TOTAL FINANCIAL LIABILITIES	**137,728**	**-**	**5,808**	**143,536**

	2017			
	Up to one year	*More than one year*	*No fixed maturity*	*Total*
		SR' 000		
INSURANCE OPERATIONS' FINANCIAL LIABILITIES				
Outstanding claims and other technical reserves	49,137	-	-	49,137
Reinsurance balances payable	873	-	-	873
Accrued expenses and other liabilities	22,742	-	4,207	26,949
	72,752	-	4,207	76,959
SHAREHOLDERS' FINANCIAL LIABILITIES				
Accrued expenses and other liabilities	1,727	-	-	1,727
	1,727	-	-	1,727
TOTAL FINANCIAL LIABILITIES	74,479	-	4,207	78,686

Liquidity profile

None of the financial liabilities on the statement of financial position are based on discounted cash flows and are all payable on a basis as set out above. There are no differences between contractual and expected maturity of the financial liabilities of the Company.

28. SUPPLEMENTARY INFORMATION

a) Statement of financial position

	31 December 2018			31 December 2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
ASSETS						
Cash and cash equivalents	16,484	40,237	**56,721**	32,389	423	32,812
Short term murabaha deposits	-	82,882	**82,882**	-	134,863	134,863
Premiums receivable – net	17,429	-	**17,429**	114,890	-	114,890
Reinsurers' share of outstanding claims	5,857	-	**5,857**	-	-	-
Reinsurers' share of claims incurred but not reported	2,103	-	**2,103**	798		798
Reinsurers' share of premium deficiency reserve	610	-	**610**	-	-	-
Deferred policy acquisition costs	1,035	-	**1,035**	8,924	-	8,924
Investments	-	12,695	**12,695**	-	34,489	34,489
Due from shareholders' operations	96,298	-	**96,298**	37,203	-	37,203
Prepaid expenses and other assets	14,262	1,119	**15,381**	27,806	921	28,727
Property and equipment	2,446	-	**2,446**	1,930	-	1,930
Intangible assets	1,161	-	**1,161**	1,396	-	1,396
Statutory deposit	-	30,000	**30,000**	-	30,000	30,000
Accrued income on statutory deposit	-	2,318	**2,318**	-	1,460	1,460
	157,685	**169,251**	**326,936**	225,336	202,156	427,492
Less: Inter-operations eliminations	(96,298)	-	**(96,298)**	(37,203)	-	(37,203)
TOTAL ASSETS	**61,387**	**169,251**	**230,638**	188,133	202,156	390,289

28. SUPPLEMENTARY INFORMATION (continued)

a) Statement of financial position – (continued)

	31 December 2018			31 December 2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
LIABILITIES						
Accrued and other liabilities	66,462	4,645	**71,107**	22,742	267	23,009
Reinsurers' balances payable	939	-	**939**	873	-	873
Unearned premiums	20,338	-	**20,338**	148,377	-	148,377
Outstanding claims	44,408	-	**44,408**	34,542	-	34,542
Claims incurred but not reported	15,943	-	**15,943**	14,108	-	14,108
Premium deficiency reserve	2,441	-	**2,441**	-	-	-
Other technical reserves	572	-	**572**	487	-	487
Due to insurance operations	-	96,298	**96,298**	-	37,203	37,203
End-of-service indemnities	5,808	-	**5,808**	4,207	-	4,207
Zakat and income tax	-	10,698	**10,698**	-	8,298	8,298
Accrued commission income payable to SAMA	-	2,318	**2,318**	-	1,460	1,460
	156,911	113,959	**270,870**	225,336	47,228	272,564
Less: Inter-operations eliminations	-	(96,298)	**(96,298)**	-	(37,203)	(37,203)
TOTAL LIABILITIES	**156,911**	**17,661**	**174,572**	225,336	10,025	235,361
SHAREHOLDERS' EQUITY						
Share capital	-	100,000	**100,000**	-	200,000	200,000
Accumulated losses	-	(44,708)	**(44,708)**	-	(45,072)	(45,072)
TOTAL SHAREHOLDERS' EQUITY	-	55,292	**55,292**	-	154,928	154,928
Re-measurement reserve of defined indemnities obligation	774	-	**774**	-	-	-
	774	-	**56,066**	-		154,928
TOTAL LIABILITIES ' AND EQUITY	**157,685**	**72,953**	**230,638**	225,336	164,953	390,289
COMMITMENTS AND CONTINGENCIES	**500**	**12,545**	**13,045**	500	12,545	13,045

28. SUPPLEMENTARY INFORMATION (continued)

b) Statement of income – (continued)

For the year ended 31 December	2018			2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
REVENUES						
Gross premiums written	138,244	-	**138,244**	274,822	-	274,822
Reinsurance premiums ceded – foreign	-	-	-	1,153	-	1,153
Excess of loss expenses – foreign	(22,358)	-	**(22,358)**	(7,832)	-	(7,832)
Net premiums written	115,886	-	**115,886**	268,143	-	268,143
Changes in unearned premiums, net	128,039	-	**128,039**	(93,061)	-	(93,061)
Net premiums earned	243,925	-	**243,925**	175,082	-	175,082
TOTAL REVENUES	243,925	-	**243,925**	175,082	-	175,082
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	289,273	-	**289,273**	111,574	-	111,574
Reinsurers' share of claims paid	(28,021)	-	**(28,021)**	(24,292)	-	(24,292)
Net claims	261,252	-	**261,252**	87,282	-	87,282
Changes in outstanding claims	4,009		**4,009**	34,542		34,542
Changes in claims incurred but not reported	530	-	**530**	(2,672)	-	(2,672)
Net claims incurred	265,791	-	**265,791**	119,152	-	119,152
Premium deficiency reserve	1,831	-	**1,831**	-	-	-
Other technical reserves	85	-	**85**	487	-	487
Policy acquisition costs	14,779	-	**14,779**	9,910	-	9,910
Other underwriting expenses	4,369	-	**4,369**	4,783	-	4,783
TOTAL UNDERWRITING COSTS AND EXPENSES	286,855	-	**286,855**	134,332	-	134,332
NET UNDERWRITING (LOSS) / INCOME	(42,930)	-	**(42,930)**	40,750	-	40,750

28. SUPPLEMENTARY INFORMATION (continued)

d) Statement of income – (continued)

For the year ended 31 December	2018			2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
OTHER OPERATING (EXPENSES) / INCOME						
Other income	-	-	-	61	-	61
Release of / (allowance for) doubtful debts	122	-	122	(9,896)	-	(9,896)
General and administrative expenses	(49,769)	(3,199)	(52,968)	(47,366)	(1,263)	(48,629)
Commission income on deposits	-	3,849	3,849	-	3,377	3,377
Unrealized gain / (loss) on investments	-	92	92	-	(182)	(182)
TOTAL OTHER OPERATING (EXPENSES) / INCOME	(49,647)	742	(48,905)	(57,201)	1,932	(55,269)
NET LOSS FOR THE YEAR	(92,577)	742	(91,835)	(16,451)	1,932	(14,519)
Net Income attributed to the insurance operations	-	-	-	-	-	-
Net (loss) / income for the year attributed to shareholders' operations	(92,577)	742	(91,835)	(16,451)	1,932	(14,519)
Loss per share (Expressed in SAR per share)						
Weighted average number of ordinary shares outstanding (in thousands)	-		10,000	-		10,000
Basic and diluted loss per share for the year (SR) – restated – 2017	-		(9.18)	-		(1.45)

e) statement of comprehensive income

For the year ended 31 December	2018			2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
NET LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS	-	(91,835)	(91,835)	-	(14,519)	(14,519)
Other comprehensive income / (loss)	-	-	-	-	-	-
Actuarial gains on define indemnities obligation	774	-	774	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	774	(91,835)	(91,061)	-	(14,519)	(14,519)

28. SUPPLEMENTARY INFORMATION (continued)

f) Statement of cash flows

	Note	2018 Insurance operations	2018 Share-holders' operations	2018 Total	2017 Insurance operations	2017 Share-holders' operations	2017 Total
		SR '000					
CASH FLOWS FROM OPERATING ACTIVITIES							
Net loss for the year		-	(91,835)	**(91,835)**	-	(14,519)	(14,519)
Adjustments for non-cash items:							
Depreciation of property and equipment		801	-	**801**	484	-	484
Amortization of intangible assets		942	-	**942**	1,973	-	1,973
Gain on sale of property and equipment		-	-	**-**	(50)	-	(50)
Allowance for doubtful debts		(122)	-	**(122)**	9,896	-	9,896
Unrealized gain on investments		-	(57)	**(57)**	-	130	130
Amortization of discount – net		-	(35)	**(35)**	-	53	53
Provision for end-of-service indemnities		2,834	-	**2,834**	-	-	-
		4,455	(91,927)	**(87,472)**	12,303	(14,336)	(2,033)
Changes in operating assets and liabilities:							
Premiums receivable		97,583	-	**97,583**	(73,925)	-	(73,925)
Reinsurers' share of unearned premiums		-	-	**-**	9,424	-	9,424
Reinsurers' share of outstanding claims		(5,857)	-	**(5,857)**	10,640	-	10,640
Reinsurers' share of IBNR		(1,305)	-	**(1,305)**	-	-	-
Reinsurers' share of PDR		(610)	-	**(610)**	-	-	-
Deferred policy acquisition costs		7,889	-	**7,889**	(6,413)	-	(6,413)
Prepaid expenses and other assets		13,544	(198)	**13,346**	(25,000)	155	(24,845)
Accrued and other liabilities		43,720	4,378	**48,098**	10,789	123	10,912
Reinsurers' balances payable		66	-	**66**	(2,463)	-	(2,463)
Unearned premiums		(128,039)	-	**(128,039)**	83,637	-	83,637
Outstanding claims		9,866	-	**9,866**	34,542	-	34,542
Claims incurred but not reported		1,835	-	**1,835**	(13,312)	-	(13,312)
Premium deficiency reserve		2,441	-	**2,441**	-	-	-
Other technical reserves		85	-	**85**	487	-	487
Due to Insurance Operations		-	59,095	**59,095**	-	13,209	13,209
Due from Shareholders' Operations		(59,095)	-	**(59,095)**	(13,209)	-	(13,209)
Cash (used in) / from operating activities		(13,422)	(28,652)	**(42,074)**	27,500	(849)	26,651
End-of-service indemnities paid		(459)	-	**(459)**	-	-	-
Zakat paid		-	-	**-**	-	(701)	(701)
Net cash flows (used in) / from operating activities		(13,881)	(28,652)	**(42,533)**	27,500	(1,550)	25,950

28. SUPPLEMENTARY INFORMATION (continued)

Statement of cash flows – (continued)

	2018			2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000					
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	-	-	-	-	(16,851)	(16,851)
Proceeds from sale of investments	-	21,886	**21,886**	-	17,171	17,171
Placement of short term murabaha deposits	-	-	-	-	(91,053)	(91,053)
Proceeds from maturing of short term murabaha deposits	-	51,981	**51,981**	-	-	-
Purchase of property and equipment	(1,317)	-	**(1,317)**	(1,048)	-	(1,048)
Proceeds from sale of property and equipment	-	-	-	50	-	50
Purchase of intangible assets	(707)	-	**(707)**	(67)	-	(67)
Net cash flows from/(used in) investing activities	(2,024)	73,867	**71,843**	(1,065)	(90,733)	(91,798)
CASH FLOWS FROM FINANCING ACTIVITIES						
Transaction costs	-	(5,401)	**(5,401)**	-	-	-
Net cash flows used in financing activities	-	(5,401)	**(5,401)**	-	-	-
Net change in cash and cash equivalents	(15,905)	39,814	**23,909**	26,435	(92,283)	(65,848)
Cash and cash equivalents, beginning of the year	32,389	423	**32,812**	5,954	92,706	98,660
Cash and cash equivalents, end of the year	16,484	40,237	**56,721**	32,389	423	32,812

29. 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 summarized 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 cash flows were presented separately for insurance operations and shareholders operations which are combined together to present one Company level interim 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 28 (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 28 (b)).

30. COMPARATIVE FIGURES

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

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors, on 14 Rajab 1440H, corresponding to 21 March 2019.