SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE
"WAFA INSURANCE"

(A SAUDI JOINT STOCK COMPANY)

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR
ENDED 31 December 2018
together with the
INDEPENDENT AUDITORS' REPORT

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

INDEX

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ASSOCIATED ACCOUNTANTS
Hourmod Al Robian and Co. - Certified Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

To the shareholders of
Saudi Indian Company for Cooperative Insurance
Riyadh, Kingdom of Saudi Arabia

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Saudi Indian Company for Cooperative Insurance (the "Company), which comprise the statement of financial position as at 31 December 2018, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and summary of significant accounting policies and other explanatory notes from 1 to 33.

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

Basis for opinion

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

Emphasis of matters

We draw attention to following:

- note 2.2.1 to the accompanying financial statements which describe reasons for preparation of the financial statements considering the Company as a non-going concern. Accordingly, these financial statements have been prepared on liquidation basis i.e. assets and liabilities have been stated on expected realizable and settlement values respectively except for property and equipment and intangibles whose carrying values have been considered by management as approximating their fair values; and

- note 29 to the accompanying financial statements, which describes that the Company has filed a case for recovery of SR 2.8 million on account of rent paid and expenditure incurred on renovation of a property and has recorded this amount in prepayments and other assets. Pending decision from the court, ultimate outcome of the said case cannot be determined at this stage.

Our opinion is not qualified in respect of these matters.

Key audit matter

Key audit matter are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2018. 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 the key audit matter below, a description of how our audit addressed the matter is set out below:

INDEPENDENT AUDITORS' REPORT (continued)

Key Audit Matter (continued)

Valuation of ultimate claim liabilities arising from insurance contracts

Key audit matter	***How the matter was addressed in our audit***
As at 31 December 2018, outstanding claims including claims incurred but not reported (IBNR) and other technical reserves amounted to SR 156.4 million (31 December 2017: SR 235 million) as reported in note 8 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 judgments could result in material over / understatement of the Company's profitability.	Our procedures included the following: - understanding and evaluating 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; and - evaluating the competence, capabilities and objectivity of the management's expert by examining their professional qualifications and experiences and assessing their independence. 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 supporting documents. To challenge management's methodologies and assumptions, we were assisted by an actuary engaged by us as auditor's expert 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 actuary performed the following: - evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods, seeking sufficient justification for 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; and - reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions.

Refer to the significant accounting policies note 4 to the financial statements, which explain the valuation methodology used by the Company and critical judgments and estimates, refer to note 8 for the disclosures of claims reserving balances and refer note 26 for insurance risk management.

INDEPENDENT AUDITORS' REPORT (continued)

Other information included in the Company's 2018 annual report

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

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

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

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

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

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with the IFRSs as modified by SAMA for the accounting of zakat and tax, the applicable requirements of the Regulations for Companies and the Company's Articles of Association / by-laws, and for such internal control as the Directors 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, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so (refer note 2.2.1 to the financial statements).

The Company's Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditor's 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, as endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as endorsed in the kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

INDEPENDENT AUDITORS' REPORT (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

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

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

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.

Report on other legal and regulatory requirements

Article 135 of the Law of Companies require the auditor to include in his report violations to the Law of Companies and the companies' statute. During our audit we noted that the Company violated Article 87 of the Law of Companies without having material impact on the financial statements. The Company could not hold general assembly meeting of its shareholders within six months following the end of the fascial year of the Company, which is a non-compliance of Article 87 of the Law of Companies and consequently could not file copy of the financial statements, board report and the auditors' report with the Ministry of Commerce and Investment (MOCI) and the Capital Market Authority (CMA), as required under article 126 of the Law of Companies.

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Riyadh on 02 December 2019G
Corresponding to 05 Rabi II 1441H

SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE "WAFA INSURANCE"
(A Saudi Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2018
Expressed in Saudi Arabian Riyals rounded to thousand

	Note	**31 December 2018**	31 December 2017
ASSETS			
Cash and cash equivalents	6	**2,979**	120,336
Investments	13	**1,923**	19,569
Premiums and reinsurance receivables, net	7	**53,383**	149,222
Reinsurers' share of unearned premiums	9	**8,310**	69,033
Reinsurers' share of outstanding claims	8	**44,958**	86,484
Reinsurers' share of claims incurred but not reported	8	**9,520**	41,316
Reinsurers' share of other reserves	8	**-**	1,343
Deferred policy acquisition costs	10	**1,874**	14,231
Prepayments and other assets	12	**15,243**	16,553
Due from related parties	24	**2,932**	2,636
Statutory deposit	18	**18,300**	30,750
Statutory deposit investment return		**2,023**	1,611
Property and equipment	14	**4,336**	4,539
Intangible assets	14	**1,968**	1,879
TOTAL ASSETS		**167,749**	559,502

The accompanying notes 1 to 33 form part of these financial statements.

Chief Executive Officer

Chairman

Chief Financial Officer

SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE "WAFA INSURANCE"
(A Saudi Joint Stock Company)
STATEMENT OF FINANCIAL POSITION *(continued)*
As at 31 December 2018
Expressed in Saudi Arabian Riyals rounded to thousand

	Note	31 December 2018	31 December 2017
LIABILITIES			
Outstanding claims	8	**78,758**	61,561
Claims incurred but not reported	8	**49,277**	169,347
Premium deficiency reserve	8	**16,884**	207
Other reserves	8	**11,418**	4,121
Unearned premiums	9	**17,235**	176,943
Reinsurance balances payable		**16,173**	10,172
Unearned reinsurance commission	11	**1,598**	6,641
Accrued expenses and other liabilities	16	**36,278**	17,496
Zakat and income tax payable	19	**2,270**	3,966
Mathematical reserve for life insurance operations	15	**1,437**	1,517
End of service benefits	17	**1,785**	3,849
Statutory deposit investment return payable		**2,023**	1,611
Due to related parties	24	**6,023**	11,732
Surplus distribution to policyholder	25	-	6,346
TOTAL LIABILITIES		**241,159**	475,509
EQUITY			
Share capital	20	**100,000**	122,000
Accumulated losses		**(174,575)**	(37,318)
Fair value reserve for available for sale investments		-	(1,050)
Re-measurement of end of service benefits	17	**1,165**	361
TOTAL EQUITY		**(73,410)**	83,993
TOTAL LIABILITIES AND EQUITY		**167,749**	559,502
CONTINGENCIES AND COMMITMENTS	29		

The accompanying notes 1 to 33 form part of these financial statement

Chief Executive Officer | Chairman | Chief Financial Officer

SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE "WAFA INSURANCE"
(A Saudi Joint Stock Company)
STATEMENT OF INCOME
For the year ended 31 December 2018
Expressed in Saudi Arabian Riyals rounded to thousand

	Note	31 December 2018	31 December 2017
REVENUES			
Gross premiums written	9	110,160	499,995
Reinsurance premiums ceded			
- Local		(9,142)	(48,404)
- Foreign		(33,041)	(130,487)
Excess of loss expenses			
- Local		(4,496)	(2,058)
- Foreign		(2,624)	(18,676)
Net premiums written		60,857	300,370
Change in unearned premiums, net	9	98,985	90,486
Net premiums earned		159,842	390,856
Reinsurance commission income	11	15,646	16,844
Other operating income		499	7,677
Net revenues		175,987	415,377
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		(339,882)	(503,380)
Less: Reinsurers' share of claims paid		133,237	161,617
Net claims paid		(206,645)	(341,763)
Changes in outstanding claims, net		(58,724)	16,005
Changes in incurred but not reported claims , net		88,273	(7,441)
Changes in other reserves, net		(25,238)	17,853
Net claims incurred		(202,334)	(315,346)
Policy acquisition costs	10	(24,323)	(48,522)
Other underwriting expenses	21	(9,270)	(17,137)
Total underwriting costs and expenses		(235,927)	(381,005)
NET UNDERWRITING (LOSS) / INCOME		(59,940)	34,372
OTHERS (EXPENSES) / INCOME			
General and administrative expenses	22	(47,859)	(59,389)
Provision for doubtful receivables	7.1	(53,543)	(14,817)
Other income		2,000	4,706
Investment income		2,357	2,448
Realized loss on investments		(972)	-
Total others (Expenses) / Income		(98,017)	(67,052)
TOTAL LOSS FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS BEFORE ZAKAT AND TAX		(157,957)	(32,680)
Loss per share (SR)	23	(15.79)	(3.27)

The accompanying notes 1 to 33 form part of these financial statements.

Chief Executive Officer

Chairman

Chief Financial Officer

SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE "WAFA INSURANCE"
(A Saudi Joint Stock Company)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018
Expressed in Saudi Arabian Riyals rounded to thousand

	Note	**31 December 2018**	31 December 2017
Net loss for the year		**(157,957)**	(32,680)
Other comprehensive income		-	(441)
Items that will not be subsequently reclassified to the statement of income-shareholders' operations			
Actuarial gain on Re-measurement of end of service benefits	17	**804**	361
Changes in fair value of available for sale investments	13	-	(366)
Total comprehensive loss for the year		**(157,153)**	(33,126)

The accompanying notes 1 to 33 form part of these financial statements.

Chief Executive Officer

Chairman

Chief Financial Officer

SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE "WAFA INSURANCE"
(A Saudi Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018
Expressed in Saudi Arabian Riyals rounded to thousand

	Notes	Share capital	Accumulated deficit	Fair value reserve for available for sale investments	Re- measurement of end of service benefits	Total equity
For the year ended 31 December 2018						
Balance at 1 January 2018		122,000	(37,318)	(1,050)	361	83,993
Net loss for the year		--	(157,957)	--	--	(157,957)
Changes in fair value of available for sale investments	13	--	--	1,050	--	1,050
Reduction of share capital	20	(22,000)	22,000	--	--	--
Transaction cost relating to reduction in share capital		--	(300)	--	--	(300)
Provision for zakat	19	--	(1,000)	--	--	(1,000)
Re- measurement of end of service benefits	17	--	--	--	804	804
Balance as at 31 December 2018		100,000	(174,575)	--	1,165	(73,410)

The accompanying notes 1 to 33 form part of these financial statements.

Chief Executive Officer

Chairman

Chief Financial Officer

SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE "WAFA INSURANCE"
(A Saudi Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended 31 December 2018
Expressed in Saudi Arabian Riyals rounded to thousand

	Notes	Share capital	Accumulated deficit	Fair value reserve for available-for-sale investments	Re-measurement of end of service benefits	Total equity
For the year ended 31 December 2017						
Balance at 1 January 2017		205,000	(83,317)	(609)	--	121,074
Net loss for the year		--	(32,680)	--	--	(32,680)
Changes in fair value of available for sale investments	13	--	--	(441)	--	(441)
Reduction of share capital	20	(83,000)	83,000	--	--	---
Transaction cost relating to reduction in share capital		--	(355)	--	--	(355)
Re- measurement of end of service benefits	17	--	--	--	361	361
Provision for zakat	19	--	(3,902)	--	--	(3,902)
Provision for income tax		--	(64)	--	--	(64)
Balance as at 31 December 2017		122,000	(37,318)	(1,050)	361	83,993

The accompanying notes 1 to 33 form part of these financial statements.

Chief Executive Officer

Chairman

Chief Financial Officer

SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE "WAFA INSURANCE"
(A Saudi Joint Stock Company)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2018
Expressed in Saudi Arabian Riyals rounded to thousand

	Note	**31 December 2018**	31 December 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year		**(157,957)**	(32,680)
Adjustments for non-cash items:			
Depreciation of property and equipment	14	**2,564**	905
Amortization of intangibles	14	**1,475**	485
Provision for doubtful receivables	7.1	**53,543**	14,817
Realized loss on available for sale investment		**972**	-
Unrealized loss on investments		**(1,397)**	151
Provision for retirement benefit obligation	17	**1,397**	1,703
		(99,403)	(14,619)
Changes in operating assets and liabilities:			
Premiums and reinsurance receivables		**42,299**	(36,655)
Reinsurers' share of unearned premiums		**60,723**	(42,270)
Reinsurers' share of outstanding claims		**41,526**	30,779
Reinsurers' share of claims incurred but not reported		**31,796**	(33,181)
Reinsurers' share of other reserves		**1,343**	(1,343)
Deferred policy acquisition costs		**12,357**	5,848
Prepayments and other assets		**1,310**	5,268
Due from related parties		**(296)**	-
Outstanding claims		**17,197**	(46,784)
Claims incurred but not reported		**(120,070)**	40,622
Other reserves		**7,297**	(13,991)
Premium deficiency reserve		**16,677**	(2,519)
Unearned premiums		**(159,708)**	(48,216)
Reinsurance balances payable		**6,001**	(5,491)
Unearned reinsurance commission		**(5,044)**	3,317
Mathematical provision for life insurance operations		**(80)**	-
Accrued expenses and other liabilities		**18,778**	141
Share compensation	24	**(5,708)**	-
Cash (used in) operations		**(133,005)**	(159,094)
Zakat and income tax paid	19	**(2,696)**	(4,921)
Retirement benefit obligation paid	17	**(2,656)**	(438)
Surplus distribution paid		**(6,346)**	-
Net cash used in operating activities		**(144,703)**	(164,453)

The accompanying notes 1 to 33 form part of these financial statements.

Chief Executive Officer	Chairman	Chief Financial Officer

SAUDI INDIAN COMPANY FOR COOPERATIVE INSURANCE "WAFA INSURANCE"
(A Saudi Joint Stock Company)
STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2018
Expressed in Saudi Arabian Riyals rounded to thousand

	Note	**31 December 2018**	31 December 2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangibles	14	**(1,565)**	(1,429)
Proceeds from disposal of investments		**31,570**	(12,764)
Purchase of property and equipment	14	**(2,359)**	(2,693)
Net cash generated / (used in) from investing activities		**27,646**	(16,886)
CASH FLOWS FROM FINANCING ACTIVITIES			
Transaction cost relating to reduction in share capital		**(300)**	(355)
Net cash (used in) from financing activities		**(300)**	(355)
Net decrease in cash and cash equivalents		**(117,357)**	(181,694)
Cash and cash equivalents at the beginning of the year		**120,336**	302,030
Cash and cash equivalents at the end of the year	6	**2,979**	120,336
Non-cash supplemental information:			
Changes in fair value of available for sale investment		**--**	(366)
Reduction of capital		**22,000**	83,000

The accompanying notes 1 to 33 form part of these financial statements.

Chief Executive Officer

Chairman

Chief Financial Officer

1. ORGANISATION AND PRINCIPAL ACTIVITIES

Saudi Indian Company for Cooperative Insurance "Wafa Insurance" (the "Company") is a Saudi joint stock company as sanctioned by the Royal Decree No. M60 dated 18 Ramadan 1427H corresponding to 9 October 2006 (date of inception). The Company is registered in Riyadh with the Ministry of Commerce and Industry under commercial registration No.1010236705 dated 24 Rajab 1428H corresponding to 7 August 2007. The Company's registered office address is Al-Maseef Dist., Northern Ring Road between exit 5&6, PO Box: 341413, Riyadh 11333, Kingdom of Saudi Arabia. The Company announce on tadawul dated on 14 April 2019 that registered office address is changed and new address is Qortoba, Saeed Bin Zaid Street, 12721, Riyadh 11333, Kingdom of Saudi Arabia.

The principal activities of the Company are to transact the cooperative insurance operations and all related activities including reinsurance and agency activities under the law of Supervision of Cooperative Insurance Companies and its by-laws and other regulations promulgated in the Kingdom of Saudi Arabia. The Company is permitted to conduct its operations in the Kingdom of Saudi Arabia.

The Company has been granted the license (number TMN/14/20086) to practice all lines of insurance business on 6 Jumada II, 1429H corresponding to 10 June 2008G from Saudi Arabian Monetary Authority ("SAMA"). The Company commenced its general insurance operations from 20 August 2008 and protection and savings insurance operations from 11 January 2009. The Company's license has been renewed by SAMA for a period of three years effective from 3 March 2017 corresponding to 4 Jumada II, 1438H.

2. BASIS OF PREPRATION

2.1 *Statement of compliance*

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) as modified by SAMA for the accounting of zakat and income tax', which requires, adoption of all IFRSs as issued by the International Accounting Standards Board ("IASB") except for the application of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" so far as these relate to zakat and income tax. As per the SAMA Circular no. 381000074519 dated April 11, 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax ("SAMA Circular"), the zakat and income tax are to be accrued on a quarterly basis through equity under retained earnings.

Until 2016, the financial statements of the Company were prepared in accordance with "International Financial Reporting Standards" (IFRSs). This change in framework resulted in change in the presentation of zakat and income tax. However, this did not impact the financial statements of the Company as the Company was already following the same presentation.

2.2 *Basis of measurement*

2.2.1 *Going Concern*

As at 31 December 2018, the Company has accumulated losses of SR 175.27 million (2017: SR 37.32 million) as at 31 December 2018, which are 175.27% (2017: 30.59%) of the Company's share capital as at that date.

The Company reduced its share capital by SR 83 million during the year 2017 and by SR 22 million during 2018 (refer note 20). Further, the Company did not meet the solvency margin requirements as at 31 December 2017 and 31 December 2018 and the Company's solvency margin as at 31 December 2018 remained declined substantially.

The Company received a final warning from SAMA on 01 May 2018, requiring the Company to maintain the required solvency margin before 30 September 2018 and to appoint an independent consultant at the expense of the Company to provide advice on this matter. In case the Company does not take corrective measures, SAMA will take one or more actions including preventing the Company from accepting subscribers or investors or new subscribers in any of the insurance activities or reduce it.

2. BASIS OF PREPRATION *(continued)*

2.2.1 *Going Concern (continued)*

The Board of Directors based on a business plan recommended the extra ordinary general assembly to approve the capital reduction of 22 million and capital injection of SR 100 million. On 29 April 2018 the Company appointed a consultant as a financial advisor to manage the process of reducing the Company's capital and carrying out all related procedures. The Company after receiving approval from SAMA and CMA, called for a general assembly meeting and the reduction of capital of SR 22 million was approved by the general assembly on 05 June 2018.

On 24 May 2018, SAMA issued a letter regarding the Company's failure to meet the minimum solvency margin requirements and suspended the Company from issuing new policies and renewing current policies from 24 May 2018, and directed the Company to appoint a consultant which shall submit weekly report to SAMA. The Chairman of the Board of Directors shall inform all the board members of the receipt of this letter and that they shall take appropriate actions to address the solvency. SAMA may take more actions if the solvency position is not addressed.

The Company prepared a business plan internally to address accumulated losses and solvency margin issues.

On 06 June 2018, the Company appointed an actuarial firm to prepare a business plan, which was approved by the Board of Directors on 06 August 2018 and the same was submitted to SAMA on 16 September 2018. This revised business plan contained different scenarios and addressed the need of capital injection of SR 220 million to deal with the solvency situation and ensure going concern status of the Company.

On 31 May 2018, the Company with the approval of SAMA appointed a consultant to study and analyze the solvency situation of the Company. The consultant's report was submitted by the end of July 2018, in which the consultant recommended short term, medium term and long-term actions. These recommendations included a minimum capital injection of SR 150 million, fixing the violations as mentioned in SAMA letters and improvement of operations.

On 29 July 2018, the Company announced that its accumulated losses have exceeded 50% of the share capital of the Company. The Board of Directors of the Company were informed of this significant event on 28 July 2018. The Company wishes to show its shareholders that according to Article 150 of the Companies Law, the Board of Directors of the Company shall, by 12 August 2018, call an Extraordinary General Assembly, (the Extraordinary General Assembly must be called no later than 11 September 2018), to decide either to increase or decrease the share capital of the Company to the extent that the ratio of the losses becomes less than half of the capital or to dissolve the Company. The general assembly will be called within 45 days of the notification to the chairman of the Board of Directors and the decision of the general assembly of the shareholder must be implemented within 90 days of the general assembly meeting. Failure to implement the decision of general assembly within 90 days as aforesaid will lead to dissolution of the Company as mentioned in article 150 of the Law of Companies.

Furthermore, SAMA issued a letter on 29 July 2018 on various controls and governance related matters, requiring the Company to appoint a consultant within 15 days and to submit a report within 60 days from the date of this letter. The Company has appointed a consultant and received no objection from SAMA on 23 October 2018.The report has not been finalized as yet.

On 07 August 2018, the Company announced that the Board of Directors in their meeting held on 06 August 2018, recommended to call for an extra ordinary general assembly in accordance with article 150 of the Law of Companies to study the situation of the Company and take a decision to increase capital or reduce capital or dissolve the Company. The Board of Directors also clarified that this assembly is only for the purpose of taking decision on the strategy of dealing with the current situation of the Company and choosing one of the options referred to in article 150 of law of Companies.

Extraordinary General Assembly Meeting was held on 10 September 2018 in which shareholders approved the direction of the Company to proceed with procedures to increase the share capital and obtain the approval of the competent authorities.

BASIS OF PREPRATION *(continued)*

2.2.1 ***Going Concern (continued))***

Board of Directors of the Company on 03/01/1440H corresponding to 13 September 2018 decided to recommend to the Extraordinary General Assembly to increase the capital of the Company through a right issue of SR 220 million.

The Company received letter 1509/89 from SAMA on 07/01/1440 corresponding to 18 September 2018 for no-objection to increase the Company's capital from SR 100 million to SR 320 million through a right issue provided that the Company meets all requirements of other official authorities.

The Company is in process to find an underwriter for capital injection therefore Company didn't submit the request to Capital Market Authority (CMA) for approval of capital injunction.

The Company's management met SAMA on 11 October 2018 to check the status of the Company and to discuss solutions available to save/ rescue the Company in light of the current losses.

The Company announced on Tadawul on 26/02/1440 H corresponding to 04 November 2018, that it would like to inform its shareholders that the Board of Directors reviewed developments on capital increase, and discussed intensively the challenges and difficulties faced by the Company in appointment of underwriter to cover the required amount of capital increase. The Board feels that they are entrusted to do what is possible to protect shareholders and stakeholders of the Company, and they are aware of the current stage and the time remaining and available under the law. However, it is not possible to obtain the underwriter to date to cover the capital increase. This entails a clear risk that the Company will be dissolved in accordance with Article 150 of the Law of Companies if the capital is not increased within the statutory period. Accordingly, in order to protect the interests of the shareholders of the Company, the Board of Directors has only an option to reduce the capital to ensure the Company's continuation. The reduction of capital of insurance companies to less than SR 100,000,000 is not possible under the Insurance Companies Control Law and its Executive Regulations. As stated by the SAMA in its explanatory statement issued on 13 August 2018, the Board recommends to change the activities of the Company, and reduce the capital after obtaining necessary regulatory approvals. The Company is not prevented from completing capital increase procedures if the arrangements with the underwriter are done on a timely basis, a possibility that the Board of Directors is unlikely to achieve under the current circumstances.

On 28/02/1440H corresponding to 06 November 2018, the Company received a letter reference 89/12886 from SAMA referring to the Company's announcement on the website of Tadawul dated 04 November 2018 containing the recommendation of the Board of directors to change the Company's activities and with reference to article 75 of the Implementing Regulations of Cooperative Insurance Companies Control System which contains procedures related to cessation of insurance activities. SAMA informed the Company's Board of directors to comply with all statutory requirements and, if the Company met those statutory requirements as per the recommendation to cease the activities of the Company as described in the announcement of the Company referred to above, it must provide SAMA with statutory requirements contained in the said Article 75.

In response to SAMA's aforesaid letter, the Company informed SAMA on 29/02/1440H corresponding to 07 November 2018 that during the meeting with SAMA on 11 October 2018 they discussed the difficulty in having the underwriting arrangement in place for increase in capital. Further, because of the Company's current conditions, making it difficult for the Company to proceed with this option, the idea of cancelling the insurance license of the Company and change of its activities was discussed, if the Company is unable to appoint an underwriter. As it was not possible to appoint an underwriter to date due to suspension of business, ban on writing business and the time remaining before the Company is subjected to the Article 150 of the Law of Companies, the Board of Directors, to ensure continuation of the Company and protection of the Shareholders' equity and policyholders, have no other option but to reduce capital, which requires changing the Company's activities.

2. BASIS OF PREPRATION *(continued)*

2.2.1 *Going Concern ((continued)*

Therefore, the Company requested SAMA to cancel the insurance license of the Company and to instruct the Ministry of Commerce and Investment (MOCI) and the Capital Market Authority (CMA) to complete the procedures for cessation of the insurance activities, and advising the Company to take the approval of the Extraordinary General Assembly, so that the Company can cease the operations and amend its activities. The Company will be deemed dissolved under article 150 of the Law of Companies on 09 December 2018. We hope to approve the change of the Company's activity immediately with our readiness to make the necessary commitments to complete the procedures of cancelling the insurance license according to the statutory requirement and within the periods prescribed in the executive regulation of the Insurance Companies Control Law.

Further to the above stated announcements, the Company announced on Tadawul on 02 December 2018 that it would like to inform its shareholders that the Board of Directors reviewed on 21/03/1440H corresponding to 29 November 2018 developments regarding the increase of capital and discussed intensively the efforts made to date, including the progress of negotiations with the underwriters and addressing the concerned parties on the change of activity. The Board is aware that it is only less than ten days to the end of statutory period prescribed under Article 150 of the Law of Companies (ninety days from the date of the General Assembly voted on capital increase), which is not sufficient to complete the statutory requirements for implementation of any of the two options referred to. Accordingly, since serious endeavors are still ongoing and based on what the Company's legal counsel has presented to, and the protection of the rights of shareholders and stakeholders, is to restrict the request for financial reorganization under Chapter IV with the Bankruptcy System in order to free the Company from the period in the law of companies until the completion of necessary procedures to increase the capital of the Company or change the activity and reduce the capital under Article 45 of the Bankruptcy Law and Article 42 of its executive regulations. The Board of Directors wishes to clarify that the financial reorganization procedure, although included in the bankruptcy system, is not considered a decision to liquidate the Company or to enter into bankruptcy. This is one of the new instruments approved by the regulator to protect troubled companies from liquidation and bankruptcy. The financial reorganization of the Company to increase its capital or reduce it after the change of activity and will be under the supervision of the Court. The procedure is subject to the approval of the regulators and stakeholders in all cases.

The Company has announced on Tadawul on 28/03/1440 corresponding to 6 December 2018 that it has successfully registered the application for the Company's financial reorganization, in accordance with Article 45 of the Bankruptcy Law and Article 42 of its Executive Regulations. Consequently, the Company shall be deemed to be exempted from the statutory period stipulated in Article 150 of Law of Companies.

The Company has announced on Tadawul on 19/4/1440 corresponding to 26 December 2018 that the request for financial reorganization has been sent to 9th Commercial Department at the Commercial Court in Riyadh. The application was accepted by the court on February 13, 2019 (08/06/1440). As per the order of the court, Company should hold all payments under article 46 of Bankruptcy law except the operational expenses of the Company from the date of submission request (12/04/1440 corresponding 21 December 2018) and appoint the trustee to ensure the submission of financial reorganization proposal within 150 days. In respect of court order the trustee took charge on March 5, 2019. On July 10, 2019 (corresponding to 07/11/1440H), the Company submitted financial reorganization proposal. The session was held on 02/01/1441 corresponding to September 1, 2019 at Commercial Court in Riyadh, the Ninth Dept, In which the Court reviewed the reorganization proposal and gave judgment that the Company should submit the reorganization proposal which includes the plan that will be followed to return into practice and continue its activity, and granted the Company an additional time of 150 days from 8/11/1440 corresponding July 10,2019.

The accumulated losses, deficiency in solvency margin, which led to final warning letter from SAMA and consequential suspension of business of the Company by SAMA, significant decrease in human resource, pending appointment of financial advisor and underwriter, the Company's intention to further reduce capital, the Company's request to SAMA to cancel its insurance license and cessation of insurance activities, registration of the Company's application for financial reorganization under Chapter IV of Bankruptcy Law, pending decision of the court on financial reorganization proposal submitted on July 10,

2. BASIS OF PREPRATION *(continued)*

2.2.1 ***Going Concern ((continued)***

2019 (07/11/1440) and the Court's judgement dated September 1, 2019, as aforesaid, have created a material uncertainty and cast significant doubt on the Company's ability to continue as going concern and therefore, the Company may not be able to realize its assets and discharge its liabilities in the normal course of business.

Under the going concern assumption it is assumed that the entity will continue in operation for the foreseeable future and has neither the intention nor the need to liquidate or curtail materially the scale of its operations. However, due to the facts and circumstances mentioned in note 2.2.1, going concern assumption has not been followed while preparing the financial statements for the year ended 31 December 2018. Therefore, the financial statements have been prepared under the (liquidation basis) of accounting i.e. assets and liabilities have been recorded on expected realizable and settlement values respectively except for property and equipment and intangibles whose carrying values have been considered by management as approximating their fair values following IFRSs as modified by SAMA for the accounting of zakat and income tax.

2.2.2 ***Basis of presentation***

As required by the Saudi Arabian insurance regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors. Losses incurred by Insurance Operations are absorbed by Shareholders' Operations. Net surplus shall be distributed at the rate of 10% at the end of each year to the policyholders. The remaining 90% of the net surplus shall be transferred to the shareholder's income statement.

The statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in note 31 of the financial statements have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations and is not required by IFRS. 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.

2.2.3 Functional and presentation currency

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

2.2.4 Fiscal year

The Company follows a fiscal year ending 31 December.

3. APPLICATION OF NEW AND REVISED INTERNALTIONAL FINANCIALS AND REPORTING STANDARDS (IFRSs)

3.1 New standards and amendments to existing standards

The accounting policies, estimates and assumptions used in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2017 except for the adoption of the following new standards and other amendments to existing standards mentioned below which have had no significant financial impact on the financial statements of the Company on the current period or prior period and are expected to have no significant effect in future periods. Certain figures for the prior period / year have been reclassified to conform to the presentation made in the current period:

3.1.1 IFRS 2 Share-based payment

Amendments to IFRS 2 – "Share-based Payment", applicable for the period beginning on or after 1 January 2018. The amendments cover classification and measurement of three accounting areas, first, measurement of cash-settled share-based payments, second, classification of share-based payments settled net of tax withholdings, and third, accounting for a modification of a share-based payment from cash-settled to equity-settled. The impact is not material for the Company.

3.1.2 IFRS 15 Revenue from contracts with customers

IFRS 15 – "Revenue from Contracts with Customers" applicable from 1 January 2018 presents a five-step model to determine when to recognize revenue, and at what amount. The application of this standard could have a significant impact on how and when revenue is recognized (except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments), with new estimates and judgments, and the possibility of revenue recognition being accelerated or deferred. The management believes that adoption of IFRS 15 has no material impact on the Company's financial statements.

3.2 Standards issued but not yet effective

The Company has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards, which have been published and are mandatory for compliance for the Company with effect from future dates.

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

The implementation of IFRS 9 is expected to result in a significant portion of financial assets currently classified as available-for-sale being re-classified as at fair value through profit or loss or fair value through other comprehensive income (OCI). Credit allowances for financial assets carried at amortized cost and debt securities measured at fair value, with changes in fair value recognized in OCI, are expected to increase due to the introduction of the expected credit loss methodology. The Company will avail exemptions available to insurers and is considering deferring the implementation of IFRS 9 until a later date, but no later than January 1, 2021. 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 IFRS 17 "Insurance contracts". At present the Company has not fully assessed the effect of adoption of IFRS 9.

3.2.2 IFRS 17 Insurance Contracts

IFRS 17 'Insurance contracts' was published on May 18, 2017 with the effective date of January 1, 2021. IFRS 17 provides comprehensive guidance on accounting for insurance contracts and investment contracts with discretionary participation features. For non-life and short-term life insurance contracts IFRS 17 introduces mandatory discounting of loss reserves as well as a risk adjustment for non-financial risk, for which confidence level equivalent disclosure will be required. Further, IFRS 17 will change the presentation of insurance contract revenue, as gross written premium will no longer be presented in profit or loss. At the date of publication of this financial statments, the Company has not quantified the potential impact on the financial statements.

3.2.3 IFRS 16 Leases

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.

4. SIGNIFICANT ACCOUNTING, ESTIMATES AND JUDEJMENTS

4.1 Use of estimates in the preparation of financial statements

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates 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 based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Ultimate liability arising from claims made under insurance contracts

It 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. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the statement of financial position date, for which the insured event has occurred prior to the statement of financial position date. The primary technique adopted by the management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis. The Company also uses the services of an independent actuary for the valuation of IBNR as well as premium deficiency reserves.

b) Impairment in available-for-sale equity

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

c) Impairment in insurance receivables

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

d) Fair value of financial instruments that are not quoted in an active market

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All 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 and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

4. SIGNIFICANT ACCOUNTING, ESTIMATES AND JUDEJMENTS *(continued)*

4.1 Use of estimates in the preparation of financial statements *(continued)*

e) Useful lives, residual values and depreciation method of equipment and fixture

The Company's management determines the estimated useful lives of equipment and fixture for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear.

Management reviews the useful lives, residual values and depreciation method of equipment and fixture annually and future depreciation charge would be adjusted where the management believes the useful lives, residual values and depreciation method differ from previous estimates.

f) Provision for zakat

In making estimate for the current zakat payable by the Company, the management considers the applicable laws and the decisions/judgements of zakat and tax authorities on certain issues in the past.

g) Provisions for employees' end of service benefits

The liabilities relating to defined benefit plans are determined through actuarial valuation using the Projected Unit Credit Method. The method involves making assumptions about discount rates, future salary increases, mortality rates and future increase in medical costs. Due to the long-term nature of these benefits, such estimates are subject to certain uncertainties. Significant assumptions used to carry out the actuarial valuation have been disclosed in note 17 of these financial statements.

5. SIGNIFICANT ACCOUNTING POLICES

5.1 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash and balances with banks including call and time deposits with less than three months' maturity from the date of acquisition.

5.2 Receivable from policyholders, net

Accounts receivable are non-derivative financial assets with fixed or determinable payments. These are recognized initially at fair value of the consideration received or receivable. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less provision for impairment. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of insurance operations. An allowance for impairment of receivables is established when there is objective evidence that the carrying amount will not be recoverable.

5.3 Deferred policy acquisition costs

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are deferred and amortized on a basis consistent with the term of the related policy coverage except for marine cargo which is fully deferred for policies initiating during the last three months of the year. All other acquisition costs are recognized as an expense when incurred. Amortization is recorded in the statement of income.

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

An impairment review is performed at each 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 insurance operations. Deferred policy acquisition costs are also considered in the liability adequacy test for each reporting period.

5. SIGNIFICANT ACCOUNTING POLICIES*(continued)*

5.4 Property and equipment and intangibles

Property and equipment are stated at cost less accumulated depreciation and impairment loss, if any. These are depreciated on a straight-line basis over their expected useful lives which are summarized as follows:

	Years
Furniture and fixtures	10
Office equipment and other assets	4
Computer hardware	4
Computer Software	4
Motor vehicles	4

Expenditure on maintenance and repairs are expensed, while expenditure for betterment are capitalized. Assets costing less than SAR 3,000/- are depreciated at the rate of 100% in the year of acquisition. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income - insurance operations when the asset is derecognized. The residual values, useful lives and methods of depreciation of property and equipment are reviewed annually and adjusted prospectively, if appropriate. The carrying values of these assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

Property and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of the asset's fair value less cost 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). Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in the statement of income under other general and administrative expenses.

Acquired computer software's have finite life and are capitalized on the basis of the costs incurred to acquire and bring to use the same. These costs are amortized on the basis of the software's expected useful life.

5.5 Investments

All investments are initially recognized at cost, being the fair value of the consideration given, including acquisition charges associated with the investment except in case of investments held at fair value through income statement (FVIS). For investments that are traded in organized financial markets, fair value is determined by reference to exchange quoted market bid prices at the close of business on the reporting date without any deduction for transaction costs.

a) Investments held at Fair Value through Income statement (FVIS)
Investments in this category include those investments held for trading or those designated as FVIS on initial recognition. Investments classified in this category are acquired for the purpose of selling or repurchasing in short term and are recorded at fair value.

After initial recognition, investments held at FVIS are measured at fair value. Subsequent changes in fair value are recorded in the statement of comprehensive income in the period in which it arises.

Special commission income and dividend income received on financial assets held as FVIS are reflected as income from FVIS financial instruments in the statement of comprehensive income - insurance operations/ shareholders operations in line with the underlying assets.

5 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

5.6 Investments *(continued)*

b) Available for sale investments (AFS)

Investments which are classified as AFS are subsequently measured at fair value. Available for sale investments are those investments that are neither held-to-maturity nor held for trading. For an available for sale investment where the fair value has not been hedged, any unrealized gain or loss arising from a change in its fair value is recognized directly in the statement of comprehensive income until the investment is derecognized.

c) Held to maturity investments (HTM)

Held to maturity investments are initially recorded at cost, being fair value of consideration given. Subsequently these are measured at amortized cost (using effective interest rate) less impairment losses.

d) Trade date accounting

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

5.7 Classification of financial instruments

The Company at initial recognition determines the relevant classification of financial assets and financial liabilities based on its judgment.

5.8 Impairment of reinsurance and other financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or group of financial assets may be impaired. If such evidence exists, an impairment loss is recognized in the statement of income.

Impairment is determined as follows:

For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the statement of income.

For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

5.9 Impairment of other 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 levels for which there are separately identifiable cash flows (cash-generating units).

5.10 Zakat and taxes

In accordance with the regulations of the General Authority for Zakat and Tax ("GAZT"), the Company is subject to zakat attributable to the Saudi shareholders and to income tax attributable to the foreign shareholders. Provision for zakat and income tax is charged to the statement of changes in shareholders' equity. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Zakat is computed on the Saudi shareholders' share of equity and/ or net income using the basis defined under the regulations of GAZT. Income tax is computed on the foreign shareholders' share of net income for the year. Zakat and income tax are charged to retained earnings as these are liabilities of the shareholders. Zakat and income tax are charged in full to the retained earnings.

5 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

5.11 Other provisions

A provision for incurred liabilities is recognized when the Company has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

5.12 Statutory reserve

In accordance with the Company's Articles of Association and in compliance with Article 70(2g) of the Implementing Regulations for Cooperative Insurance of SAMA, the Company allocates 20% of the net income each year to the legal reserve until it has built up a reserve equal to the paid-up capital. Since the Company has accumulated losses, no such provision for legal reserve has been made in current year.

5.13 Recognition of premium and reinsurance commission revenue

Gross premiums and commissions are recognized with the commencement of the insurance risks proportionally over the period of coverage. Premiums are shown before deduction of commission. The portion of premium and commission that will be earned in the future is reported as unearned premium and commission, respectively, and is deferred on a basis consistent with the term of the related policy coverage except for marine cargo which is fully deferred for policies initiating during the last three months of the year.

5.14 Investment income

Investment income is recognized on an effective yield basis taking account of the principal outstanding and the commission rate applicable. Income from investments is principally earned from term deposits.

Commission income from short-term deposits are recognized on a time proportion basis using the effective interest rate method.

5.15 Dividend income

Dividend income is recognized when the right to receive payment is established.

5.16 Reinsurance

The Company cedes insurance risk in the normal course of business for a portion of its businesses. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision or settled claims associated with reinsurance policies and are in accordance with the reinsurance contract.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in statement of income - insurance operations. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

5 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

5.16 Reinsurance *(continued)*

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

The Company also assumes reinsurance risk in the normal course of business for 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 reinsurance 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.

5.17 Outstanding claims

Outstanding claims comprise the estimated cost of claims incurred but not settled at the date of statement of financial position together with related claims handling costs and a reduction for the expected value of salvage and other recoveries, whether reported by the insured or not. Provisions for reported claims not paid as of the date of statement of financial position 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 (IBNR) including related claims handling costs and the expected value of salvage and other recoveries at the statement of financial position date. The IBNR is calculated based on the recommendation of an independent actuary.

Any difference between the provisions at the date of the statement of financial position and settlements and provisions in the following year is included in the statement of insurance operations for that year. The outstanding claims are shown on a gross basis and the related share of reinsurance is shown separately.

5.18 Liability adequacy test

At each statement of financial position date, the Company assesses whether its recognized insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred policy acquisition costs) is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognized in the statement of insurance operations and an unexpired risk provision is created. The Company estimates these reserves based on an independent actuarial valuation.

5.19 Employees' end of service benefits

Employees' end of service benefits is accrued currently and are payable as a lump sum to all employees under the terms and conditions of Saudi Labor and Workmen Law on termination of their employment contracts. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as defined by the conditions stated in the laws of Saudi Arabia. An independent actuary, using the projected unit credit method, carried out the valuation as at 31 December 2018. All past service cost are recognized as an expense immediately in statement of insurance operations. All actuarial gains or losses on defined benefit obligation are recognized in other comprehensive income.

5 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Short term Benefit

Short-term employee benefits, include leave pay and airfare, are current liabilities included in accrued expenses, measured at the undiscounted amount that the entity expects to pay as a result of the unused entitlement.

Define contribution plan

The Company pays retirement contributions for its Saudi Arabian employees to the General Organization for Social Insurance. This represents a defined contribution plan. The payments made are expensed as incurred.

5.20 Financial Instruments

a) Recognition, initial measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value plus transactions costs, except for those carried at fair value through statement of income which are measured initially at fair value.

b) Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished discharged, cancelled or expired.

Financial assets and financial liabilities are measured subsequently as described below.

c) Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- held-to-maturity (HTM) investments
- available-for-sale (AFS) financial assets.

The Company's financial assets consist of cash and cash equivalents loans, receivables and investments.

d) Classification and subsequent measurement of financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through statement of income and other comprehensive income or other financial liabilities, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value. The Company's financial liabilities include accounts payables and other payables, due to related parties. The measurement of financial liabilities depends on their classification as financial liabilities at fair value through statement of income and other comprehensive income or "other financial liabilities".

5.21 Offsetting

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

5.22 Operating leases

Payments made under operating leases are charged to the statements of income - insurance operations on a straight-line basis according to the terms of the rental contracts. There were no significant rental commitments at December 31, 2018.

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

5.23 Foreign currency transactions

Transactions denominated in foreign currencies are translated into Saudi Riyals at rates prevailing on the dates of such transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Saudi Riyals at rates prevailing on the statement of financial position date. All differences are taken to the statements of income. Foreign exchange differences are not significant and have not been disclosed separately.

5.24 Surplus from insurance operations

In accordance with the requirements of the implementing regulations issued by SAMA, 90% of the net surplus from insurance operations is transferred to the statement of shareholders' operations, while 10% of the net surplus is distributed to policyholders. However, in the case of loss, SAMA has directed the Company to transfer the whole amount to the statement of shareholders' operations.

5.25 Segmental information

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 four reportable segments as follows:

- Motor
- Medical
- Others
- Shareholders' segment - reporting shareholder operations of the Company. Income earned from investments is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The surplus or loss from the insurance operations is allocated to this segment on an appropriate basis.

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.

5.26 Insurance Contract

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.

5.27 Revenue recognition

Premiums and commissions are taken into income over the terms of the policies to which they relate on a pro-rata basis. Retained premiums and commission income, which relate to unexpired risks beyond the end of the financial period, are reported as unearned and deferred based on the following methods:

- Last three months premium at a reporting date is considered as unearned in respect of marine cargo;

- Pre-defined calculation for engineering class of business for risks undertaken that extend beyond a single year. In accordance with this calculation, lower premiums are earned in the first year which gradually increase towards the end of the tenure of the policy; and

- Actual number of days for other lines of business.

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

5.27 Revenue recognition *(continued)*

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

5.28 Unearned commission income

Commission receivable on outwards reinsurance contracts are deferred and amortised over the terms of the insurance contracts to which they relate. Amortisation is recorded on the same basis as premium in the statement of income.

5.29 Insurance and investment 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.

Investment contracts are those contracts that do not transfer significant insurance risk. The Company's unit linked products have been classified as investment contracts. These represent portfolios maintained to meet the specific investment objectives of policyholders who bear the credit, market and liquidity risks related to the investments.

The Company's insurance and investment contracts do not contain any discretionary participatory features.

5.30 Salvage and subrogation reimbursement

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

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

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

6. CASH AND CASH EQUIVALENTS

	31 December 2018		
	Insurance Operations	***Shareholders' Operation***	***Total***
Balance in current account (s)	**1,487**	**1,492**	**2,979**
Term deposit at banks	--	--	--
Total	**1,487**	**1,492**	**2,979**

	31 December 2017		
	Insurance Operations	*Shareholder' Operation*	*Total*
Balance in current account (s)	36,069	14,267	50336
Term deposit at banks *6.1*	--	70,000	70,000
Total	36,069	84,267	120,336

6 .1 This represents investment in Murabaha term deposit having an original maturity of not more than three months from the date of acquisition and earned special commission income at a rate of interest ranging between 1% to 3.4% per annum. (2017:1% to3.4%)

7. PREMIUMS AND REINSURANCE RECEIVABLES

	31 December 2018	31 December 2017
Policyholders	**76,513**	151,962
Related party (note 23)	**2,932**	2,636
Reinsurance receivables	**68,800**	35,647
Gross Receivables	**148,245**	190,245
Less: Provision for doubtful debts *(note 7.1)*	**(91,930)**	(38,387)
Net receivables	**56,315**	151,858

7.1 The movement in the provision for doubtful debts of premium receivables is as follows:

	31 December 2018	31 December 2017
Opening balance	**38,387**	23,570
Charge of provision during the year	**53,543**	14,817
Closing balance	**91,930**	38,387

7. PREMIUMS AND REINSURANCE RECEIVABLES *(continued)*

As at December 31, the ageing of receivable from policyholders and reinsurer which includes due from related party is as follows:

			Past due but not impaired		
2018	**Total SAR**	**Neither past due nor impaired SAR**	**91 to 180 days SAR**	**181 to 365 days SAR**	**More than 365 days SAR**
Policyholders'	**11,539**	**-**	**-**	**-**	**11,539**
Reinsurers	**44,776**	**13,502**	**10,333**	**14,801**	**6,140**
2017					
Policyholders'	114,524	86,918	22,569	5,037	-
Reinsurers	37,334	32,999	4,019	316	-

The Company classifies balances as "past due and impaired" on case by case basis and an impairment adjustment is recorded in the statement of insurance operations.

Corporate premium receivables are with counterparties with a sound credit profile. The five largest customers accounts for 15% (31 December 2017: 16%) of the premiums receivable as at 31 December 2018.

8. OUTSTANDING CLAIMS INCLUDING RESERVES

	31 December 2018	31 December 2017
Gross outstanding claims and reserves:		
Gross outstanding claims	**80,840**	102,075
Less: Realizable value of salvage and subrogation	**2,082**	40,514
	78,758	61,561
Claims incurred but not reported (IBNR)	**49,277**	169,347
Premium deficiency reserve	**16,884**	207
Other reserve	**11,418**	2,121
Total	**156,337**	235,236
Reinsurers' share of outstanding claims and reserves:		
Outstanding claims	**44,958**	86,484
Claims incurred but not reported (IBNR)	**9,520**	41,316
Premium deficiency, catastrophe and other reserve	**--**	1,343
Total	**54,478**	129,143

8. OUTSTANDING CLAIMS INCLUDING RESERVES *(continued)*

	31 December 2018	31 December 2017
Net outstanding claims and reserves:		
Outstanding claims	**33,800**	(24,923)
Claims incurred but not reported (IBNR)	**39,757**	128,032
Premium deficiency, catastrophe and other reserve	**28,302**	2,984
	101,859	106,093

8.1 Claims development table

The following reflects the cumulative gross 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 will transfer 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.

Claims triangulation analysis is by accident years spanning a number of financial years.

8.1 Claims development table *(continued)*

Gross of Reinsurance

2018 Accident year	2013 & earlier	2014	2015	2016	2017	2018	Total
Estimate of ultimate claims cost:							
At the end of accident year	379,030	132,189	288,405	550,947	479,666	223,722	--
One year later	364,625	133,363	260,538	559,165	483,433	--	--
Two years later	375,288	132,375	261,467	527,226	--	--	--
Three years later	369,963	133,776	255,236	--	--	--	--
Four years later	369,130	88,114	--	--	--	--	--
Five years later	369130	--	--	--	--	--	--
Current estimate of cumulative claims	369,130	88,114	255,236	527,226	483,433	223,723	1,946,862
	368,479	87,674	252,966	519,779	444,438	145,491	
Cumulative payments to date							1,818,827
	651	440	2,270	7,447	38,995	78,232	
Liability recognized in statement of financial position							128,035
PDR and other reserves							28,302
Total liability included in statement of financial position							156,337

8.1 Claims development table *(continued)*

Gross of Reinsurance

2017

Accident year	2013 & earlier	2014	2015	2016	2017	Total
Estimate of ultimate claims cost:						
At the end of accident year	379,030	132,189	288,405	550,947	479,666	--
One year later	364,625	133,363	260,538	559,165	--	--
Two years later	375,288	132,375	261,467	--	--	--
Three years later	369,963	133,776	--	--	--	--
Four years later	369,130	--	--	--	--	--
Current estimate of cumulative claims	369,130	133,776	261,467	559,165	479,666	1,803,204
Cumulative payments to date	368,957	133,182	253,698	488,008	328,451	1,572,296
Liability recognized in statement of financial position	173	594	7,757	71,159	151,215	230,908
PDR and other reserves						4,328
Total liability included in statement of financial position						235,236

8.1 Claims development table *(continued)*

Net of Reinsurance

2018 Accident year	2013 & earlier	2014	2015	2016	2017	2018	Total
Estimate of ultimate claims cost:							
At the end of accident year						147,844	147,844
One year later					339,616		339,616
Two years later				381,184			381,184
Three years later			214,610				214,610
Four years later		67,750					67,750
Five years later							
Current estimate of cumulative claims	0	67,750	214,610	381,184	339,616	147,844	1,151,004
Cumulative payments to date	133	67,539	212,973	374,773	321,134	100,895	1,077,447
Liability recognized in statement of financial position	-133	211	1,637	6,411	18,482	46,949	73,557
PDR and other reserves							28,302
Total liability included in statement of financial position							101,859

8.1 Claims development table *(continued)*

2017

Accident year	2013 & earlier	2014	2015	2016	2017	Total
Estimate of ultimate claims cost:						
At the end of accident year					313,063	
One year later				380,841		
Two years later			207,938			
Three years later		53,342				
Four years later						
Current estimate of cumulative claims	0	53,342	207,938	380,841	313,063	955,184
Cumulative payments to date	-7,355	52,978	203,306	360,047	243,100	852,076
Liability recognized in statement of financial position	7,355	364	4,633	20,795	69,962	103,109
PDR and other reserves						2,984
Total liability included in statement of financial position						106,093

The Company commenced its general insurance operations from August 20, 2008 and protection and savings insurance operations from January 11, 2009.

9. MOVEMENT IN UNEARNED PREMIUM

	31 December 2018		
	Gross	**Reinsurers' share**	**Net**
Balance at the beginning of the year	**176,943**	**(69,033)**	**107,910**
Premiums written during the year	**110,160**	**(42,183)**	**68,977**
Premiums earned during the year	**(269,868)**	**102,906**	**(167,962)**
Balance at the end of the year	**17,235**	**(8,310)**	**8,925**

	31 December 2017		
	Gross	Reinsurers' share	Net
Balance at the beginning of the year	225,159	(26,763)	198,396
Premiums written during the year	499,995	(178,891)	321,104
Premiums earned during the year	(548,211)	136,621	(411,590)
Balance at the end of the year	176,943	(69,033)	107,910

10. DEFERRED POLICY ACQUISITION COSTS

	31 December 2018	31 December 2017
Balance at beginning of the year	**14,231**	20,079
Policy acquisition costs incurred during the year	**11,966**	42,674
Policy acquisition costs amortized for the year	**(24,323)**	(48,522)
Balance at the end of the year	**1,874**	14,231

11. UNEARNED COMMISSION INCOME

	31 December 2018	31 December 2017
Balance at the beginning of the year	**6,641**	3,325
Re-insurance commission income received during the year	**10,603**	20,160
Re-insurance commission income earned during the year	**(15,646)**	(16,844)
Balance at the end of the year	**1,598**	6,641

12. PREPAYMENTS AND OTHER ASSETS

Prepaid expenses comprised the following:

	31 December 2018	31 December 2017
Prepaid rent	**3,465**	2,418
Prepaid regulatory and other fees	**325**	309
Prepaid medical insurance	**258**	342
Prepaid TPA fee & others	**2,863**	3,596
Accrued manafeth income	**1,292**	3,751
Receivables from Globe Med	**6,668**	5,389
Advance to employees	**65**	376
Others	**307**	372
	15,243	16,553

13. INVESTMENTS

	31 December 2018	
Available for sale (Domestic)	***Insurance operations***	***Shareholders operations***
Unquoted securities	**1,923**	---
Shariah compliant funds-quoted	--	--
Investment in real estate fund	--	--
	1,923	--

	31 December 2017	
Available for sale	*Insurance Operations*	*Shareholders*
Unquoted securities	1,923	---
Shariah compliant funds-quoted	--	3,950
Investment in real estate fund	13,696	--
	15,619	3,950

	2018			2017		
	Opreation	**shareholder**	**Total**	Opreation	shareholder	Total
Opening balance	**15,619**	**3,950**	**19,569**	15,619	4,391	20,010
Purchase during th eyear	-	-	-	-	-	-
Disposal during the year	**(13,696)**	**(3,950)**	**(17,646)**	-	(441)	(441)
Ending Balance	**1,923**	-	**1,923**	15,619	3,950	19,569

Unquoted securities represents investment in shares of Najm for insurance services amounting to SAR 1,923 (December 2017: SAR 1,923).

14. PROPERTY AND EQUIPMENT AND INTANGIBLES – NET

	31 December 2018	31 December 2017
Owned assets – property and equipment, net	**4,336**	4,539
Owned assets – intangible, net	**1,968**	1,879
	6,304	6,418

	Property and equipment 2018					Intangible assets	
	Computer Hardware	**Furniture and fixtures**	**Motor vehicles**	**Office equipment & other assets**	**Total**	**Software**	**Total**
Cost:							
At 1 January 2018	**4,573**	**2,720**	**355**	**1,399**	**9,047**	**9,488**	**18,535**
Additions	**661**	**1,609**	--	**89**	**2,359**	**1,565**	**3,924**
Disposals	--	--	--	--	--	--	--
At 31 December 2018	**5,234**	**4,329**	**355**	**1,488**	**11,406**	**11,053**	**22,459**
Accumulated depreciation and amortization:							
At 1 January 2018	**2,491**	**1,034**	**283**	**698**	**4,506**	**7,610**	**12,116**
Charge for the year	**870**	**1,414**	**21**	**259**	**2,564**	**1,475**	**4,039**
Disposal	--	--	--	--	--	--	--
At 31 December 2018	**3,361**	**2,488**	**304**	**957**	**7,070**	**9,085**	**16,155**
Net book value							
31 December 2018	**1,873**	**1,881**	**51**	**531**	**4,336**	**1,968**	**6,304**

	Property and equipment 2017					Intangible assets	
	Computer Hardware	Furniture and fixtures	Motor vehicles	Office equipment & other assets	Total	Software	Total
Cost:							
At 1 January 2017	3,149	1,996	273	936	6,354	8,059	14,414
Additions	1,424	724	82	463	2,693	1,429	4,121
Disposals	--	--	--	--	--	--	--
At 31 December 2017	4,573	2,720	355	1,399	9,047	9,488	18,535
Accumulated depreciation and amortization:							
At 1 January 2017	1,993	852	273	485	3,602	7,124	10,727
Charge for the year	498	183	10	214	905	485	1,390
Disposal	--	--	--	--	--	--	--
At 31 December 2017	2,491	1,034	283	698	4,507	7,610	12,117
Net book value							
31 December 2017	2,082	1,686	71	700	4,539	1,879	6,418

15. MATHEMATICAL RESERVES FOR LIFE INSURANCE OPERATIONS

The mathematical reserves for life insurance contracts at December 31, 2018 were certified by an independent actuary, whose report states that the mathematical provisions are computed in a manner that conforms to the appropriate actuarial standards of practice and meet adequately the Company's liabilities arising from its entire life insurance business cycle.

The movement in the mathematical provision during the year is as follows:

	31 December 2018	31 December 2017
Balance at 1 January	**1,517**	1,517
Additional provision during the year	**(80)**	--
Balance at 31 December	**1,437**	1,517

16. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2018	31 December 2017
Insurance Operations:		
Professional fees	**209**	315
CCHI fee	**3**	232
SAMA fee	**12**	220
Sundry creditors and stale cheques	**13,882**	6,644
Brokerage payable	**1,289**	3,747
Chairman and Directors' remuneration	**2,477**	2,266
Board attendance and sitting fees	**268**	577
Others	**18,138**	3,495
	36,278	17,496

17. EMPLOYEES' END OF SERVICE BENEFITS

The following tables summarise the components of end of service benefits recognised in the statement of income, accumulated surplus and amounts recognised in the statement of comprehensive income and statement of financial position of insurance operations:

	31 December 2018	31 December 2017
Amount recognized in the statement of financial position		
Present value of defined benefit obligation	**1,785**	3,849
Fair value of plan assets	-	-
Net liability at end of the year	**1,785**	3,849

	31 December 2018	31 December 2017
Benefit expense (recognized in profit or loss)		
Current service cost	**1,295**	1,512
Commission rate cost	**100**	191
Benefit expense	**1,395**	1,703

17. EMPLOYEES' END OF SERVICE BENEFITS *(continued)*

	31 December 2018	31 December 2017
Movement in the present value of defined benefit obligation		
Present value of defined benefit obligation at beginning of the year	3,849	2,945
Current service cost	1,295	1,512
Commission rate cost	100	191
Actuarial (gain) on defined benefit plan	(804)	(361)
Benefits paid	(2,655)	(438)
Present value of defined benefit obligation at end of the year	1,785	3,849

17.1 Defined benefit obligation sensitivity analysis

	31 December 2018	31 December 2017
Movement in net liability recognised in balance sheet		
Net liability at beginning of the year	3,849	2,945
Charge recognised in profit or loss	1,395	1,703
Actuarial (gain) recognised in other comprehensive income	(804)	(361)
Benefits paid	(2,655)	(438)
Net liability at end of the year	1,785	3,849

	31 December 2018	31 December 2017
Principal actuarial assumption at 31 December 2018		
Discount rate	4.30%	4.0%
Salary increase rate	4.30%	3.0%
Return on plan assets		Not applicable

18. STATUTORY DEPOSIT

In accordance with Article 58 of the Implementing Regulations for Cooperative Insurance, the Company has deposited an amount of SR 18,300 (31 December 2017: SAR 30,750) with Riyadh Bank. During 2016 statutory deposit was increased from 10% to 15% of share capital in order to comply with SAMA letter no 371000070032 dated 30th March 2016.The Company has received no objection letter from SAMA dated on 19 July 2018 to reduce the statutory deposit.

19. ZAKAT AND INCOME TAX

19.1 Zakat base summary is as follows:

	31 December 2018	31 December 2017
Shareholders' capital	100,000	122,000
Accumulated deficit at beginning of year	**(37,318)**	(83,317)
Reduction of share capital	**22,000**	83,000
Provisions	**41,017**	27,233
Net profit / (loss) for the year, as adjusted for Non - deductible items	**(100,429)**	(13,390)
Property and equipment – net	**(5,061)**	(8,490)
Total	**20,209**	127,036
Zakat base for Saudi shareholders at 84.88%	**17,153**	107,828
Zakat at 2.5%	**429**	2,696

Zakat is payable at 2.5% of higher of the approximate zakat base and adjusted net income attributable to the Saudi shareholders.

19.2 Income tax

The current year's provision is based on the following:

	31 December 2018	31 December 2017
Net (loss)/income for the year	**(157,957)**	(29,397)
Add: Inadmissible expenses	**54,903**	16,007
Less : Admissible expenses	-	(438)
Adjustment of brought forward losses	-	--
Adjusted (loss)/ income	**(103,054)**	(13,828)
Adjusted income attributed to non-Saudi shareholders at 15.12%	-	(2,091)
Provision for income tax (20%)	--	--

Movements in zakat is as follows:

	31 December 2018	31 December 2017
Balance at beginning of the year	**3,801**	3,171
Provision during the year and prior years	**1,000**	3,902
Payment during the year	**(2,696)**	(3,272)
Balance at end of the year	**2,105**	3,801

19. ZAKAT AND INCOME TAX *(continued)*

19.3 Provision for zakat and tax

Movements in the income tax is as follows:

	31 December 2018	31 December 2017
Balance at beginning of the year	165	1,749
Provision for the prior years	-	65
Payment during the year	-	(1,649)
Balance at end of the year	165	165
Zakat and income tax payable	2,270	3,966

Shareholdings

Following is the shareholding structure of the Company as on:

	31 December 2018	31 December 2017
Shareholding subject to Zakat	84.88%	84.88%
Shareholding subject to Income Tax	15.12%	15.12%

19.3.1 Zakat and tax assessment status

The Company has filed zakat and income tax returns for the financial year 2017 with the General Authority of Zakat and Tax (the "GAZT") and obtained the required certificate.

The GAZT issued assessment for the years 2006 - 2013 with an additional liability of SAR 8.5 million (without penalty). The Company has received revised assessment with an additional liability of SAR 4.5 million (without penalty). The Company has further objected the revised assessment orders before GAZT and GAZT has forwarded the case to General secretariat of Tax Committees on 2 May 2019 and appeal is not yet heard. However, the Company has booked a provision of 3.8 million.

19.3.2 VAT registration

The Company has obtained VAT registration certificate as required by applicable law.

20. SHARE CAPITAL

	31 December 2018	31 December 2017
Authorised:		
10,000,000 (2017: 12,200,000) shares of SAR 10 each	100,000	122,000
Allotted, issued and fully paid		
10,000,000 (2017: 12,200,000) shares of SAR 10 each	100,000	122,000

The Board of Directors recommended the extra ordinary general assembly to approve the capital reduction of SR 22 million. The Company after receiving approval from SAMA and CMA, called for a general assembly meeting and the reduction of capital of SR 22 million was approved by the general assembly on 05 June 2018.

At 31 December 2018 and 2017, the share capital of the Company was held by the following shareholders:

	Percentage	No. of shares 2018	No. of shares 2017
The New India Assurance Co. Ltd	5.17%	517,072	630,839
Life Insurance Corporation of India	4.975%	497,560	607,024
LIC (International) BSC	4.975%	497,560	607,024
Local shareholders and general public	84.88%	8,487,800	10,355,123
	100%	10,000,000	12,200,000

21. OTHER UNDERWRITING EXPENSES

	31 December 2018	31 December 2017
CCHI fees at 1% of gross health premium	**218**	1,945
Third Party Administrator (TPA) charges	**2,856**	5,436
SAMA fees at 0.5% of gross written premium	**892**	2,269
Medical, motor cards and others	**5,304**	7,487
	9,270	17,137

22. GENERAL & ADMINISTRATIVE EXPENSES

	31 December 2018	31 December 2017
Operating and administrative salaries and benefits	**33,486**	41,307
Rent	**848**	1,933
Repair and maintenance	**750**	491
Depreciation and amortization	**4,040**	1,391
Professional fees	**3,612**	2,384
Travel expenses	**359**	227
Car maintenance	**-**	15
Office supplies and printing and stationery	**229**	476
IT expenses	**1,604**	2,980
Penalties	**17**	10
Bad debts written off	**-**	3,410
Sitting Fees to Board and Committees	**1,523**	484
Tadawul fees	**22**	329
Directors travelling & other expenses	**11**	140
Other expenses	**1,358**	3,812
	47,859	59,389

23. BASIC AND DILUTED LOSS PER SHARE

	31 December 2018	31 December 2017
Net loss for the year before Zakat	**(157,957)**	(32,680)
Weighted average number of shares in issue throughout the year	**10,000,000**	10,000,000
Basic and diluted loss per share	**(15.79)**	(3.27)
		Restated

Basic and diluted earnings per share have been computed by dividing the net income for the relevant periods by the weighted average number of issued outstanding shares. The relevant averages are 10,000,000 shares for the year ended 31 December 2018 (31 December 2017: 10,000,000 shares).

The weighted average number of shares have been retrospectively adjusted for all prior periods to reflect the reduction in share capital in line with the requirement of IAS 33 "Earnings per share".

24. RELATED PARTY TRANSACTIONS AND BALANCES

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. Transactions with related parties are conducted on similar terms and conditions as compared with external parties and on arm's length basis. The following are the details of the major related party transactions during the year and the related balances:

Related parties	Nature of transactions	Notes	Amount of transactions		Balances	
			2018	2017	**2018**	2017
The New India Assurance Company Limited *(Shareholder)*	-Reinsurance premium ceded		**49**	1,293	--	--
	-Reinsurance commission income		**9**	259	--	--
	-Reinsurer's share of outstanding claims		**8**	3,087	--	--
	-Balance receivable		--	--	**2,932**	2,636
	-Share compensation balance payable		--	--	**5,932**	5,932
Life Insurance Corporation of India *(Shareholder)*	-Share compensation balance payable		--	--	--	5,709
Other Shareholders	-Share compensation balance payable				**91**	91
Alinma Makkah Fund (Common Directors)	-Investment		--	--	--	13,696
Directors and Executive Committee	-Remuneration		**900**	1,080		--
	-Balance payable		--	--	**2,477**	2,266
Directors and Executive Committee	-Meeting attendance fee		**423**	234		--
	-Balance payable		--	--	**234**	577

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly and comprise top management executives including the Chief Executive Officer, Deputy Chief Executive Officer and the Chief Financial Officer of the Company.

24. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

The following table shows the annual salaries, remuneration and allowances obtained by the Board members and top 5 executives for the year ended 31 December 2018 and 2017:

2018	**BOD members SR**	**Top executives including the CEO and CFO SR**
Salaries and compensation	-	**3,263**
Allowances	-	**1,142**
Annual remuneration	**900**	-
End of service indemnities	-	-
Total	**900**	**4,405**

2017	BOD members SR	Top executives including the CEO and CFO SR
Salaries and compensation	-	3.205
Allowances	-	1.141
Annual remuneration	1,080	-
End of service indemnities	-	-
Total	1,080	4,346

25. Surplus distribution to policyholder

	31 December 2018	31 December 2017
Opening surplus distribution payable as at January 1	**6,346**	--
Surplus paid to policy holders	**(6,346)**	--
Closing surplus distribution payable as at December 31	--	6,346

26. INSURANCE RISKS

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

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

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

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

Sensitivities

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

December 31, 2018	**Change in assumptions**	**Impact on liabilities**	**Impact on net profit**
Claim ratio	**+5%**	**7,992**	**7,992**
	-5%	**(7,992)**	**(7,992)**

December 31, 2017	Change in assumptions	Impact on liabilities	Impact on net loss
Claim ratio	+5%	19,543	19,543
	-5%	(19,543)	(19,543)

Reinsurance risk

Similar to other insurance companies, in order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements 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. A significant portion of the reinsurance is affected under proportional treaties such as quota share with surplus and non-proportional treaties such as excess of loss.

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

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

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the statement of financial position include financial assets, financial liabilities, reinsurance assets and insurance liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

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

27.1 Operational risk

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

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors. The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility encompasses the controls in the following areas:

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

27.2 Protection and Saving

For protection and saving, the main risk is the mortality, morbidity (permanent or temporary disability) of the insured and policyholder behavior risk.

Mortality risk
Actual policyholder death experience on life insurance policies is higher than expected.

Morbidity risk
Policyholder health-related claims are higher than expected.

Policyholder behavior risk
Policyholders' behavior in discontinuing and reducing contributions or withdrawing benefits prior to the maturity of contracts is worse than expected. Poor persistency rates may lead to fewer policies remaining on the books to defray future fixed expenses and therefore reduce the future positive cash flows from the business written, potentially affecting Company's ability to recover deferred acquisition expenses.
This is managed through an effective and clearly defined underwriting strategy. There are various levels of underwriting carried out, including declaration of good health, medical questionnaire, reports from specialists/consultants and comprehensive medical tests. The Company also conducts financial, lifestyle and occupational underwriting to ascertain the degree of risk carried by the insured and to determine whether or not it could be classified as a standard life.
For group protection and saving, the mortality risk is compounded due to the concentration of lives, for example employees in the same workplace. The Company has a clearly defined underwriting strategy. There are various levels of underwriting carried out, including declaration of good health, medical questionnaire, reports from specialists/consultants and comprehensive medical tests. The Company also looks at the nature of activity carried out by the group, group size, mix of lives by geographical regions, cultural background and manual/non-manual worker split.
The individual family and group protection and saving portfolio is protected through an efficient reinsurance arrangement in accordance with Allianz Group standards. This protects the Company from adverse mortality/morbidity experience. There is a maximum retention per life under the reinsurance arrangement which protects the Company from single large losses. Multiple claims and concentrations of risk are also covered under the arrangement.

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continue)*

27.3 General Insurance

Medical

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

Motor

For motor contracts, the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Company only underwrites comprehensive polices for owner/drivers over 21 years of age.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims. The Company also has appropriate risk management procedures to control the cost of claims. The Company has reinsurance cover for such damage to limit the losses for any individual claim.

Property

For property insurance contracts the main risk is fire. The Company only underwrites policies for properties containing fire detection equipment.

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

Marine

For marine insurance, the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

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

Engineering

For engineering insurance, the main risks are loss or damage to the construction/erection works caused by fire, explosion, natural perils like floods, earthquakes, hailstorms, etc. Selection of risks and proper underwriting are the criteria for this line of business. The Company has appropriate reinsurance cover for such risks to limit losses for any individual claim. These are covered under engineering proportional and non-proportional treaties.

Public liability

For public liability insurance, the main risks are legal liabilities of the insured towards third party deaths, bodily injury or property damage arising out of insured premises, business operations or projects handled by the insured.

This insurance policy is underwritten based on the turnover of the Company or the value of the contract, nature / occupation of the premises, nature of contracts handled. The Company has appropriate reinsurance cover to limit the losses for any individual claim.

Sensitivity analysis

The Company believes that the claim liabilities under insurance contracts outstanding at the reporting date are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The insurance claim liabilities are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process.

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continue)*

27.4 Claims management risk

Claims management risk may arise within the Company in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs. These risks may damage the Company and undermine its ability to win and retain business, or incur punitive damages. These risks can occur at any stage of the claims life cycle. The Company's claims teams are focused on delivering quality, reliability and speed of service the policyholders. Their aim is to adjust and process claims in a fair, efficient and timely manner, in accordance with the policy's terms and conditions, the regulatory environment, and the business' broader interests. Prompt and accurate case reserves are set for all known claims liabilities, including provisions for expenses, as soon as a reliable estimate can be made of the claims liability.

Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the statement of financial position date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one–off occurrence; changes in market factors such as public attitude to claiming: economic conditions: as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the statement of financial position date.

27.5 Process used to decide on assumptions

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques such as Chain ladder method, Bornhuetter - Ferguson method and Expected Loss Ratio Method.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continue)*

27.5 Process used to decide on assumptions *(Continue)*

assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation,

judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

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

27.6 Reserving and ultimate reserves risk

Reserving and ultimate reserves risk occurs within the Company where established insurance liabilities are insufficient through inaccurate forecasting, or where there is inadequate allowance for expenses and reinsurance bad debts in provisions. To manage reserving and ultimate reserves risk, our actuarial team uses a range of recognized techniques to project gross premiums written, monitor claims development patterns and stress-test ultimate insurance liability balances.
The objective of the Company's reserving policy is to produce accurate and reliable estimates that are consistent over time and across classes of business.

27.7 Capital risk management

The Company's objectives when managing capital are:

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

In the Kingdom of Saudi Arabia solvency regulations and the minimum capital requirements are set and regulated by the Saudi Arabian Monetary Agency ("SAMA"). Also refer note 2 to these financial statements.

27.8 Market price risk

Market price risk is the risk that the value of a financial instrument may fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company is exposed to market risk with respect to its investments in quoted securities held by it directly. The Company limits market risk by actively monitoring the key factors that affect stock and the market movements, including analysis of the operational and financial performance of the investee.

The Company is not significantly exposure to the market risk because Company do not have quoted security.

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

27.9 Credit risk

Credit risk refers to the risk that counterparty may default on its contractual obligations resulting in financial loss to the Company. For all classes of financial assets held by the Company, the maximum exposure to credit risk to the Company is the carrying value as disclosed in the statement of financial position.

10.2% (2017: 12.77%) of the Company's receivables are due from one broker as at December 31, 2018.

Key areas where the Company is exposed to credit risk are:

- Re-insurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from insurance contract holders; and
- Amounts due from insurance intermediaries.

The Company has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst counterparties.

Reinsurance is used to manage insurance risk. The credit worthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

The Company maintains records of the payment history for significant contract holders with whom it conducts regular business. Management information reported to the Company includes details of provisions for impairment on insurance receivables and subsequent write-offs. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Company.

The credit risk on liquid funds is limited because most of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Ongoing credit evaluation is performed on the financial condition of the insurance receivables.

The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

27.9 Credit risk (continued)

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

	Notes	31 December 2018	31 December 2017
Assets			
Cash and cash equivalents	6	**2,979**	120,336
Investments	13	**1,923**	19,569
Premiums and reinsurance receivables, net	7	**53,383**	149,222
Reinsurers' share of outstanding claims	8	**44,958**	86,484
Reinsurers' share of claims incurred but not reported	8	**9,520**	41,316
Reinsurers' share of other reserves		-	1,343
Other assets	12	**15,243**	16,553
Due from related parties	24	**2,932**	2,636
Return on statutory deposit		**2,023**	1,611
Statutory deposit	18	**18,300**	30,750
Total		**151,261**	469,820

27.10 Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on regular basis that sufficient funds are available to meet any future commitments as well as obtaining continued financial support from shareholders (if needed).

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

27.11 Maturity profile

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

	2018			2017		
	Less than one year	**More than one year**	**Total**	Less than one year	More than one year	Total
ASSETS						
Cash and cash equivalents	**2,979**	-	**2,979**	120,336	-	120,336
Premiums and reinsurance receivables, net	**53,383**	-	**53,383**	151,859	-	151,859
Reinsurers' share of outstanding claims	**54,578**	-	**54,578**	129,143	-	129,143
Investments	-	**1,923**	**1,923**	3,950	17,230	21,180
Due (to)/ from shareholders'/ takaful operations	**83,325**	-	**83,325**	16,917	-	16,917
Statutory Deposit	-	**18,300**	**18,300**	-	30,750	30,750
TOTAL ASSETS	**194,265**	**20,223**	**214,488**	422,205	47,980	470,185
LIABILITIES, TAKAFUL OPERATIONS						
Reinsurance balances payable	**16,173**		**16,173**	10,172		10,172
Gross outstanding claims	**78,758**		**78,758**	61,561		61,561
End-of-service benefits	-	**1,785**	**1,785**	-	3,849	3,849
Surplus distribution to policyholder	-		-	6,346		6,346
TOTAL LIABILITIES AND SURPLUS	**94,931**	**1,785**	**96,716**	78,079	3,849	81,928

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

27.12 Special commission rate risk

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

The Company did not have any instruments which attracted any special commission so there no special commission rate risk arises.

27.13 Geographical concentration of risk

All of the Company's insurance risks related to insurance policies are written in the Kingdom of Saudi Arabia.

27.14 Fair value 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 to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair values of recognized financial instruments are not significantly different from the carrying values included in the financial statements.

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 market prices in active market for the identical instrument (i.e., without modification or adjustment);

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

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

The table below presents the financial instruments at their fair values as of 31 December 2018 based on the fair value hierarchy:

31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments				
- Insurance operations	--	--	**1,923**	**1,923**
- Shareholders' operations	--	--	--	--
Total	--	--	**1,923**	**1,923**

31 December 2017	Level 1	Level 2	Level 3	Total
Investments				
- Insurance operations	--	--	15,619	15,619
- Shareholders' operations	3,950	--	--	3,950
Total	3,950	--	15,619	19,569

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

27.14 Fair value of financial instruments *(continued)*

The unlisted securities amounting to SAR 1,923,000 (31 December 2017: SAR 15,619,014) are stated at cost in the absence of active markets or other means of reliably measuring their fair value. For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

28 CREDIT QUALITY OF INVESTMENTS

Investments	31 December 2018	Rating	31 December 2017	Rating
Insurance Operations:				
Available for sale				
Equity	**1,923**	Unrated	1,923	Unrated
Investment in real estate fund	-		13,696	Unrated
	1,923		15,619	
Shareholders' Operations:				
Statutory deposit – Riyad Bank	**20,323**	A-	32,361	A-
Available for sale				
Sharia Compliant Fund - Adeem Capital	-		3,950	Unrated
	20,323		36,31	

The ratings have been obtained from the external rating agencies.

29 CONTINGENCIES AND COMMITMENTS

The Company has filed a legal suit for recovery of SR 2.8 million against a company on account of rent and expenses on improvements, which the Company did on a rented property. However, the property could not be delivered to the Company due to certain non-compliance of legal requirements. The Company, based on internal legal opinion, is of the view that the judgment will be in favor of the Company. Accordingly, SR 2.8 million comprising SR 1.2 million on account of rent and SR 1.6 million being advances paid for initial cost to establish the site for use of the Company's operations, which were previously charged out have now been recorded under prepayment and other assets

30 SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, business segments have been approved by Management in respect of the Company's activities, assets and liabilities. Information disclosed in the note is based on current reporting to the chief operating decision maker. Operating segments do not include shareholders' operations of the Company.

Segment assets do not include insurance operations' cash and cash equivalents, receivables, prepaid expenses, investments, advances and other receivables, due from shareholders' operations and property and equipment. Accordingly, they are included in unallocated assets.

Segment liabilities do not include reinsurers' balances payable, unearned commission income, employees' end of service benefits, accrued expenses and other liabilities. Accordingly, they are included in unallocated liabilities. These unallocated assets and liabilities are not reported to chief operating decision maker under the related segments and are monitored on a centralized basis.

30. SEGMENTAL INFORMATION (continued)

	For the year ended 31 Dec 2018					
	Motor	Medical	Others	Total Insurance Operations	Shareholders' Operations	Total
REVENUES						
Gross premiums written	57,980	21,787	30,393	110,160	-	110,160
Reinsurance premiums ceded	(6,053)	(7,305)	(28,825)	(42,183)	-	(42,183)
Excess of loss expenses	(5,247)	-	(1,873)	(7,120)	-	(7,120)
Net premiums written	46,680	14,482	(305)	60,857	-	60,857
Net change in unearned premiums	49,664	47,378	1,943	98,985	-	98,985
Net premiums earned	96,344	61,860	1,638	159,842	-	159,842
Reinsurance commission earned	4,003	2,364	9,279	15,646	-	15,646
Other underwriting income	498	-	1	499	-	499
Total insurance revenues	100,845	64,224	10,918	175,987	-	175,987
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(190,073)	(104,514)	(45,295)	(339,882)	-	(339,882)
Reinsurers' share of claims paid	39,183	52,992	41,062	133,237	-	133,237
Net claims paid	(150,890)	(51,522)	(4,233)	(206,645)	-	(206,645)
Changes in outstanding claims, net	(38,440)	(21,896)	1,612	(58,724)	-	(58,724)
Changes in incurred but not reported claims , net	71,041	17,033	199	88,273	-	88,273
Changes in other reserves, net	(21,803)	(3,278)	(157)	(25,238)	-	(25,238)
Net claims incurred	(140,092)	(59,663)	(2,579)	(202,334)	-	(202,334)
Policy acquisition costs	(12,086)	(7,058)	(5,179)	(24,323)	-	(24,323)
Other underwriting expenses	(5,948)	(2,606)	(716)	(9,270)	-	(9,270)
Total underwriting costs and expenses	(158,126)	(69,327)	(8,474)	(235,927)	-	(235,927)

30. SEGMENTAL INFORMATION (continued)

	For the year ended 31 Dec 2018					
	Motor	**Medical**	**Others**	**Total Insurance Operations**	**Shareholders' Operations**	**Total**
NET UNDERWRITING (LOSS)/ INCOME	(57,281)	(5,103)	2,444	(59,940)	-	(59,940)
OTHER OPERATING (EXPENSES)/ INCOME						
General and administrative expenses				(46,253)	(1,606)	(47,859)
Provision for doubtful receivables				(53,543)	-	(53,543)
Other income				2,000	-	2,000
Investment income				2,274	83	2,357
Realized loss on investments				-	(972)	(972)
Total operating expenses				(95,522)	(2,495)	(98,017)
Total (loss) for the year				(155,462)	(2,495)	(157,957)

30. SEGMENTAL INFORMATION (continued)

	For the year ended 31 Dec 2017					
	Motor	Medical	Others	Total Insurance Operations	Shareholders' operations	Total
				SAR'000		
REVENUES						
Gross premiums written	255,448	194,565	49,982	499,995	-	499,995
Reinsurance premiums ceded	(64,876)	(68,844)	(45,171)	(178,891)	-	(178,891)
Excess of loss expenses	(19,609)	-	(1,125)	(20,734)	-	(20,734)
Net premiums written	170,963	125,721	3,686	300,370	-	300,370
Net change in unearned premiums	115,515	(24,246)	(783)	90,486	-	90,486
Net premiums earned	286,478	101,475	2,903	390,856	-	390,856
Reinsurance commission earned	6,992	-	9,852	16,844	-	16,844
Other underwriting income	2,477	5,200	-	7,677	-	7,677
Total insurance revenues	295,947	106,675	12,755	415,377	-	415,377
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(332,783)	(106,153)	(64,444)	(503,380)	-	(503,380)
Reinsurers' share of claims paid	43,344	56,378	61,895	161,617	-	161,617
Net claims paid	(289,439)	(49,775)	(2,549)	(341,763)	-	(341,763)
Changes in outstanding claims, net	15,091	1,103	(189)	16,005	-	16,005
Changes in incurred but not reported claims , net	8,996	(16,194)	(243)	(7,441)	-	(7,441)
Changes in other reserves, net	18,368	(631)	116	17,853	-	17,853
Net claims incurred	(246,984)	(65,497)	(2,865)	(315,346)	-	(315,346)
Policy acquisition costs	(29,964)	(12,848)	(5,710)	(48,522)	-	(48,522)
Other underwriting expenses	(5,249)	(11,450)	(438)	(17,137)	-	(17,137)
Total underwriting costs and expenses	(282,197)	(89,795)	(9,013)	(381,005)	-	(381,005)

30. SEGMENTAL INFORMATION (continued)

	For the Twelve month ended 31 Dec 2017					
	Motor	Medical	Others	Total Insurance Operations	Shareholders' operations	Total
NET UNDERWRITING (LOSS)/ INCOME	13,750	16,880	3,742	34,372	-	34,372
OTHER OPERATING (EXPENSES)/ INCOME						-
General and administrative expenses				(57,357)	(2,032)	(59,389)
Provision for doubtful receivables				(14,817)	-	(14,817)
Other income				4,706	-	4,706
Investment income				424	2,024	2,448
Realized loss on investments				-	-	-
Total operating (expenses) / income				(67,044)	(8)	(67,052)
Total income for the year				(32,672)	(8)	(32,680)

30. SEGMENTAL INFORMATION (continued)

	As at 31 Dec 2018					
	Motor	Medical	Others	Total Insurance Operations	Shareholders' operations	Total
				SAR'000		
ASSETS						
Reinsurers' share of outstanding claims	2,001	23,758	19,199	44,958	-	44,958
Reinsurers' share of claims incurred but not reported	2,598	4,043	2,879	9,520	-	9,520
Reinsurers' share of other reserves	-	-	-	-	-	-
Reinsurers' share of unearned premiums	766	862	6,682	8,310	-	8,310
Deferred policy acquisition costs	890	139	845	1,874	-	1,874
Unallocated assets	-	-	-	164,597	21,815	103,087
Total assets				229,259	21,815	251,074
LIABILITIES						
Outstanding claims	9,960	47,451	21,347	78,758	-	78,758
Claims incurred but not reported	38,010	8,066	3,201	49,277	-	49,277
Premium deficiency reserve	13,908	2,700	276	16,884	-	16,884
Other reserves	9,708	1,553	157	11,418	-	11,418
Unearned premiums	7,697	2,420	7,118	17,235	-	17,235
Unearned insurance commission	117	-	1,481	1,598	-	1,598
Unallocated liabilities	-	-	-	54,089	21,815	75,904
Total liabilities				229,259	21,815	251,074

30. SEGMENTAL INFORMATION (continued)

	As at 31 December 2017					
	Motor	Medical	Others	Total Insurance Operations	Shareholders' operations	Total
Reinsurers' share of outstanding claims	1,811	2,041	82,632	86,484	-	86,484
Reinsurers' share of claims incurred but not reported	7,450	23,913	9,953	41,316	-	41,316
Reinsurers' share of other reserves	-	-	1,343	1,343	-	1,343
Reinsurers' share of unearned premiums	18,853	33,218	16,962	69,033	-	69,033
Deferred policy acquisition costs	6,801	5,850	1,580	14,231	-	14,231
Unallocated assets	-	-	-	243,311	120,701	364,012
Total assets				455,718	120,701	576,419

	As at 31 December 2017					
	Motor	Medical	Others	Total Insurance Operations	Shareholders' operations	Total
LIABILITIES						
Outstanding claims	(28,670)	3,838	86,393	61,561	-	61,561
Claims incurred but not reported	113,903	44,968	10,476	169,347	-	169,347
Premium deficiency reserve	-	207	-	207	-	207
Other reserves	1,814	769	1,538	4,121	-	4,121
Unearned premiums	75,447	82,154	19,342	176,943	-	176,943
Unearned insurance commission	3,212	-	3,429	6,641	-	6,641
Unallocated liabilities	-	-	-	36,898	120,701	157,599
Total liabilities				455,718	120,701	576,419

31. SUPPLEMENTARY INFORMATION

Statement of financial position

	As at 31 December 2018			As at 31 December 2017		
	Insurance Operations	**Shareholders' Operations**	**Total**	Insurance Operations	Shareholders' Operations	Total
ASSETS						
Cash and cash equivalents	**1,487**	**1,492**	**2,979**	36,069	84,267	120,336
Investments	**1,923**	-	**1,923**	15,619	3,950	19,569
Premiums and reinsurance receivables, net	**53,383**	-	**53,383**	149,222	-	149,222
Reinsurers' share of unearned premiums	**8,310**	-	**8,310**	69,033	-	69,033
Reinsurers' share of outstanding claims	**44,958**	-	**44,958**	86,484	-	86,484
Reinsurers' share of claims incurred but not reported	**9,520**	-	**9,520**	41,316	-	41,316
Reinsurers' share of other reserves	-	-	-	1,343	-	1,343
Deferred policy acquisition costs	**1,874**	-	**1,874**	14,231	-	14,231
Prepayments and other assets	**15,243**	-	**15,243**	16,430	123	16,553
Due from related parties	**2,932**		**2,932**	2,636	-	2,636
Due from shareholders' operations	**83,325**	-	**83,325**	16,917	-	16,917
Statutory deposit	-	**18,300**	**18,300**	-	30,750	30,750
Statutory deposit investment return	-	**2,023**	**2,023**	-	1,611	1,611
Property and equipment	**4,336**	-	**4,336**	4,539	-	4,539
Intangible Assets - Software	**1,968**	-	**1,968**	1,879	-	1,879
TOTAL ASSETS	**229,259**	**21,815**	**251,074**	455,718	120,701	576,419

31. SUPPLEMENTARY INFORMATION (continued)

Statement of financial position

	As at 31 December 2018			As at 31 December 2017		
	Insurance Operations	**Shareholders' Operations**	**Total**	Insurance Operations	Shareholders' Operations	Total
LIABILITIES						
Outstanding claims	**78,758**	-	**78,758**	61,561	-	61,561
Claims incurred but not reported	**49,277**	-	**49,277**	169,347	-	169,347
Premium deficiency reserve	**16,884**		**16,884**	207		207
Other reserves	**11,418**	-	**11,418**	4,121	-	4,121
Unearned premiums	**17,235**	-	**17,235**	176,943	-	176,943
Reinsurance balances payable	**16,173**	-	**16,173**	10,172	-	10,172
Unearned reinsurance commission	**1,598**	-	**1,598**	6,641		6,641
Accrued expenses and other liabilities	**33,528**	**2,750**	**36,278**	14,652	2,844	17,496
Zakat and income tax payable	-	**2,270**	**2,270**	-	3,966	3,966
Mathmetical for life insurance operations	**1,437**	-	**1,437**	1,517	-	1,517
End of service benefits	**1,785**	-	**1,785**	3,849	-	3,849
Statutory deposit investment return payable	-	**2,023**	**2,023**	-	1,611	1,611
Due to related parties	-	**6,023**	**6,023**	-	11,732	11,732
Due to insurance operations	-	**83,325**	**83,325**	-	16,917	16,917
Surplus distribution to Policyholder				6,346		6,346
TOTAL LIABILITIES	**228,093**	**96,391**	**324,484**	455,356	37,070	492,426

31. SUPPLEMENTARY INFORMATION (continued)

Statement of financial position (continued)

	As at 31 December 2018			As at 31 December 2017		
	Insurance Operations	**Shareholders' Operations**	**Total**	Insurance Operations	Shareholders' Operations	Total
SHAREHOLDERS' EQUITY						
Share capital	-	**100,000**	**100,000**	-	122,000	122,000
Accumulated losses	-	(174,575)	(174,575)	-	(37,318)	(37,318)
Fair value reserve for available for sale investments	-	-	-	-	(1,050)	(1,050)
Re-measurement of end of service benefits	**1,165**	-	**1,165**	361	-	361
TOTAL SHAREHOLDERS' EQUITY	**1,165**	**(74,575)**	**(73,410)**	361	83,632	83,993
TOTAL LIABILITIES, INSURANCE OPERATION SURPLUS AND SHAREHOLDERS' EQUITY	**229,259**	**21,815**	**251,074**	455,717	120,701	576,419

31. SUPPLEMENTARY INFORMATION (continued)

Statement of Income

	For the year ended 31 Dec 2018			For the year ended 31 Dec 2017		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
REVENUES						
Gross premiums written	110,160	-	110,160	499,995	-	499,995
Reinsurance premiums ceded						
- Local	(9,142)	-	(9,142)	(48,404)	-	(48,404)
- Foreign	(33,041)	-	(33,041)	(130,487)	-	(130,487)
Excess of loss expenses						
- Local	(4,496)	-	(4,496)	(2,058)	-	(48,404)
- Foreign	(2,624)	-	(2,624)	(18,676)	-	(130,487)
Net premiums written	60,857	-	60,857	300,370	-	300,370
Changes in unearned premiums, net	98,985	-	98,985	90,486	-	90,486
Net premiums earned	159,842	-	159,842	390,856	-	390,856
Reinsurance commission earned	15,646	-	15,646	16,844	-	16,844
Other underwriting income	499	-	499	7,677	-	7,677
Total revenues	175,987	-	175,987	415,377	-	415,377

31. SUPPLEMENTARY INFORMATION (continued)

Statement of Income (continued)

	For the year ended 31 Dec 2018			For the year ended 31 Dec 2017		
	Insurance Operations	**Shareholders' Operations**	**Total**	Insurance Operations	Shareholders' Operations	Total
UNDERWRITING COSTS AND EXPENSES		-				
Gross claims paid	**(339,882)**	-	**(339,882)**	(503,380)	-	(503,380)
Reinsurers' share of claims paid	**133,237**	-	**133,237**	161,617	-	161,617
Net claims paid	**(206,645)**	-	**(206,645)**	(341,763)	-	(341,763)
Changes in outstanding claims, net	**(58,724)**	-	**(58,724)**	16,005	-	16,005
Changes in incurred but not reported claims , net	**88,273**	-	**88,273**	(7,441)	-	(7,441)
Changes in other reserves, net	**(25,238)**	-	**(25,238)**	17,853	-	17,853
Net claims incurred	**(202,334)**	-	**(202,334)**	(315,346)	-	(315,346)
Policy acquisition costs	**(24,323)**	-	**(24,323)**	(48,522)	-	(48,522)
Other underwriting expenses	**(9,270)**	-	**(9,270)**	(17,137)	-	(17,137)
Total underwriting costs and expenses	**(235,927)**	-	**(235,927)**	(381,005)	-	(381,005)
NET UNDERWRITING (LOSS) / INCOME	**(59,940)**	-	**(59,940)**	34,372	-	34,372

31. SUPPLEMENTARY INFORMATION (continued)

Statement of Income (continued)

	For the year ended 31 Dec 2018			For the year ended 31 Dec 2017		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
OPERATING (EXPENSES) / INCOME						
General and administrative expenses	(46,253)	(1,606)	(47,859)	(57,357)	(2,032)	(59,389)
(Provision for) doubtful receivables	(53,543)	-	(53,543)	(14,817)	-	(14,817)
Other Income	2,000	-	2,000	4,706	-	4,706
Investment income	2,274	83	2,357	424	2,024	2,448
Realized loss on investments	-	(972)	(972)	-	-	-
Total operating (expenses)/ income	(95,522)	(2,495)	(98,017)	(67,044)	(8)	(67,052)
Net (deficit) / surplus	(155,462)	(2,495)	(157,957)	(32,672)	(8)	(32,680)
Appropriation to policyholders operations	155,462	(155,462)	-	32,672	(32,672)	-
Net (deficit) / Surplus after appropriations to policyholders operations	-	(157,957)	(157,957)	-	(32,680)	(32,680)
Loss per share (SR)			(15.77)			(3.27)
Number of outstanding shares			10,000,000			100,000,000

31. SUPPLEMENTARY INFORMATION (continued)

Statement of comprehensive income

	Year ended 31 Dec 2018			year ended 31 Dec 2017		
	Insurance Operations	**Shareholders' Operations**	**Total**	Insurance Operations	Shareholders' Operations	Total
Total (loss) / profit for the year	-	**(157,957)**	**(157,957)**	(32,672)	(8)	(32,680)
Other comprehensive income			-		(441)	(441)
Items that will not be subsequently reclassified to the statement of income-shareholders' operations						
Re-measurement of end of service benefits	**1,165**	-	**1,165**	-	**361**	**361**
Changes in fair value of available for sale investments	-	-	-	-	(366)	(366)
Total comprehensive (loss) / income for the year	**1,165**	(157,957)	(156,792)	(32,672)	(454)	(33,126)

31. SUPPLEMENTARY INFORMATION (continued)

Statement of cash flows

	For the year ended 31 Dec 2018			For the year ended 31 Dec 2017		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Net (loss) / profit for the period	**-**	**(157,957)**	**(157,957)**	-	(32,680)	(32,680)
Adjustments for non-cash items:						
Shareholders' operations appropriations	**(155,463)**	**155,463**	**-**	(32,672)	32,672	-
Depreciation of property and equipment	**2,564**	**-**	**2,564**	905	-	905
Amortisation of intangibles	**1,475**	**-**	**1,475**	485	-	485
Provision for doubtful receivables	**53,543**	**-**	**53,543**	14,817	-	14,817
Realized on AFS	**-**	**972**	**972**	-	-	-
(Gain) / loss on disposal of investments	**(1,397)**	**-**	**(1,397)**	151	-	151
Provision for end of service benefits	**1,397**	**-**	**1,397**	1,703	-	1,703
	(97,881)	**(1,523)**	**(99,403)**	(14,611)	(8)	(14,619)
Changes in operating assets and liabilities:						
Premiums and reinsurance receivables	**42,299**	**-**	**42,299**	(36,655)	-	(36,655)
Reinsurers' share of unearned premiums	**60,723**	**-**	**60,723**	(42,270)	-	(42,270)
Reinsurers' share of outstanding claims	**41,526**	**-**	**41,526**	30,779	-	30,779
Reinsurers' share of claims incurred but not reported	**31,796**	**-**	**31,796**	(33,181)	-	(33,181)
Reinsurers' share of other reserves	**1,343**	**-**	**1,343**	(1,343)	-	(1,343)
Deferred policy acquisition costs	**12,357**	**-**	**12,357**	5,848	-	5,848
Prepayments and other assets	**1,187**	**123**	**1,310**	4,806	462	5,268

31. SUPPLEMENTARY INFORMATION (continued)

Statement of cash flows (continued)

	For the year ended 31 Dec 2018			For the year ended 31 Dec 2017		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
Due from related parties	**(296)**	-	**(296)**	-	-	-
Due to insurance operations	-	**66,129**	**66,129**	-	(85,273)	(85,273)
Due from insurance operation	-	**(155,179)**	**(155,179)**	-	-	-
Outstanding claims	**17,197**	-	**17,197**	(46,784)	-	(46,784)
Claims incurred but not reported	**(120,070)**	-	**(120,070)**	40,622	-	40,622
Other reserves	**7,297**	-	**7,297**	(13,991)	-	(13,991)
Premium deficiency reserve	**16,677**	-	**16,677**	(2,519)		(2,519)
Unearned premiums	**(159,708)**	-	**(159,708)**	(48,216)	-	(48,216)
Reinsurance balances payable	**6,001**	-	**6,001**	(5,491)	-	(5,491)
Unearned reinsurance commission	**(5,044)**	-	**(5,044)**	3,317	-	3,317
Mathematical provision for life insurance operations	**(80)**		**(80)**	-	-	-
Accrued expenses and other liabilities	**18,877**	**(99)**	**18,778**	169	(28)	141
Share compensation	-	**(5,708)**	**(5,708)**	-	-	-
Due to shareholders' operations	**155,179**	-	**155,179**	-	-	-
Due from shareholders' operations	**(66,129)**	-	**(66,129)**	85,273	-	85,273
Cash (used in) / generated from operations	**(36,748)**	**(96,257)**	**(133,005)**	(74,247)	(84,847)	(159,094)
Zakat and income tax paid	-	**(2,696)**	**(2,696)**		(4,923)	(4,923)
Retirement benefit obligation paid	**(2,656)**	-	**(2,656)**	(438)	-	(438)
Surplus distribution paid	**(6,346)**	-	**(6,346)**	-	-	-
Net cash (used in) / operating activities	**(45,750)**	**(98,953)**	**(144,703)**	(74,685)	(89,770)	(164,455)

31. SUPPLEMENTARY INFORMATION (continued)

Statement of cash flows (continued)

	For the year ended 31 Dec 2018			For the year ended 31 Dec 2017		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of intangibles	**(1,564)**	**-**	**(1,564)**	(1,429)	-	(1,429)
Proceeds from disposal of investments	**15,094**	**16,478**	**31,572**	(12,763)	-	(12,763)
Purchase of property and equipment	**(2,359)**	**-**	**(2,359)**	(2,693)	-	(2,693)
Transaction cost relating to reduction in share capital	**-**	**(300)**	**(300)**	-	(354)	(354)
Net cash generated / (used in) investing activities	**11,168**	**16,178**	**27,346**	(16,885)	(354)	(17,239)
Net change in cash and cash equivalents	**(34,582)**	**(82,775)**	**(117,357)**	(91,570)	(90,124)	(181,694)
Cash and cash equivalents at the beginning of the year	**36,069**	**84,267**	**120,336**	127,639	174,391	302,030
Cash and cash equivalents at the end of the year	**1,487**	**1,492**	**2,979**	36,069	84,267	120,336

32. COMPARITIVE FIGURES

The comparative figures of previous period have been reclassified to match with current presentation.

33. APROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on October 16,2019, corresponding to safar 17,1441.