MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

BDO الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.

International Accountants
المحاسبون الدوليون
An Independent Member of BDO International

Independent auditors' report

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

Opinion
We have audited the financial statements of Malath Cooperative Insurance Company (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 28.

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

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) 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 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 its requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements 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. The key audit matters include:

Independent auditors' report (continued)

Key Audit Matters (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 Saudi Riyals 300 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. - 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. - 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, and refer to note 8 for the disclosures of claims reserving balances.	

Independent auditors' report (Continued)

Key Audit Matters (continued)

Insurance and reinsurance receivables - impairment	
Key audit matter	*How the matter was addressed in our audit*
As at 31 December 2018, the Company had insurance and reinsurance receivables of Saudi Riyals 200.7 million and Saudi Riyals 0.3 million respectively, against which an aggregate impairment provision of Saudi Riyals 34 million and Saudi Riyals 0.06 million was maintained, respectively. We considered this as a key audit matter as the assessment of impairment requires subjective judgments with respect to the estimation of the amount and timing of future cash flows. In making this judgment, the Company evaluates credit risk characteristics that considers past-due status being indicative of the ability to pay all amounts due as per contractual terms. For individually significant receivables, the Company also assesses the impairment individually on a regular basis.	We assessed the design and implementation and tested the operating effectiveness of key controls over the identification of impaired receivables and impairment provision process and also carried-out the following audit procedures: - Reviewing the methodology and judgment used and challenged management's key assumptions used in assessing impairment. - On sample basis checking the completeness and accuracy of the insurance and reinsurance aging reports by tracing the balances to the source documents. - On sample basis, requesting external confirmations of the outstanding amount from counterparties and where responses were poor, we performed alternative tests to ensure existence and accuracy of those receivables. - Challenging management's key assumptions over credit risk and the calculation methodology, including correspondence with the insurer and re-insurers to assess recoverability. - Considering the consistency of the approach with the prior years, the compliance with SAMA regulations and enquiring about any major variations and changes in key assumptions and its basis.
Refer to note 4 of the financial statements for the accounting policy relating to the impairment of insurance and reinsurance receivables, and for the critical accounting estimates and judgments, and refer to note 7 for the disclosures of insurance and reinsurance receivable balances.	

Independent auditors' report (continued)

Other information
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 IFRS 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.

Those charged with governance are 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 auditor's 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.

- 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain jointly responsible for our audit opinion.

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

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

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

For Dr. Mohamed Al-Amri & Co.

Gihad Al-Amri
Certified Public Accountant
Registration No. 362

For International Accountants

Abdulrahman Saleh S. Al Mudaiheem
Certified Public Accountant
Registration No. 77

14 March 2019 G
7 Rajab 1440 H

Riyadh
Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

المحاسبون الدوليون
ترخيص 239
C.R:1010423134
License 239
INTERNATIONAL ACCOUNTANTS

	Notes	31 December 2018	31 December 2017
		(SR '000)	
ASSETS			
Cash and cash equivalents	5	**114,143**	698,750
Short term Murabaha deposits	6	**678,349**	218,000
Premiums and reinsurers' receivables – net	7	**172,366**	114,853
Reinsurers' share of unearned premiums	8 (ii)	**19,190**	16,071
Reinsurers' share of outstanding claims	8 (i) & 14	**67,855**	107,755
Reinsurers' share of claims incurred but not reported	8 (i)	**17,878**	7,965
Deferred policy acquisition costs	9	**21,058**	17,508
Deferred excess of loss premiums		**1,088**	1,205
Available for sale investments	10	**35,621**	40,451
Prepaid expenses and other assets	11	**21,640**	12,481
Property and equipment	12	**3,834**	5,172
Statutory deposit	13	**75,000**	75,000
Accrued income on statutory deposit		**5,505**	4,118
TOTAL ASSETS		**1,233,527**	1,319,329

Chief Financial Officer

Chief Executive Officer

Director

The accompanying notes 1 to 28 form an integral part of these financial statements.

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	**31 December 2018**	31 December 2017
		(SR '000)	
LIABILITIES			
Policyholders claims payable		**54,313**	40,798
Accrued expenses and other liabilities	15	**93,469**	99,930
Reinsurers' balances payable		**5,266**	10,287
Unearned premiums	8 (ii)	**267,020**	216,401
Unearned reinsurance commission		**4,469**	3,993
Outstanding claims	8 (i)	**35,039**	106,001
Claims incurred but not reported	8 (i)	**236,506**	317,264
Additional premium reserves	8 (i)	**15,612**	10,514
Other technical reserves	8 (i)	**12,697**	15,227
Due to related parties	17	**165**	77
End-of-service indemnities	16	**13,852**	13,081
Accumulated surplus		**9,657**	8,301
Zakat provision	18	**29,866**	22,871
Accrued commission income payable to SAMA		**5,505**	4,118
TOTAL LIABILITIES		783,436	868,863
SHAREHOLDERS EQUITY			
Share capital	19	**500,000**	500,000
Statutory reserve		**2,131**	2,131
Accumulated losses		**(47,478)**	(50,108)
Unrealized gain on available for sale investment		**(231)**	-
Re-measurement loss on defined benefit plan		**(4,331)**	(1,557)
TOTAL EQUITY		**450,091**	450,466
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		1,233,527	1,319,329
COMMITMENTS AND CONTINGENCIES	20	-	-

Chief Financial Officer | Chief Executive Officer | Director

The accompanying notes 1 to 28 form an integral part of these financial statements.

STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	31 December 2018	31 December 2017
		(SAR '000)	
REVENUES			
Gross written premiums		729,076	726,978
Reinsurance premiums ceded – Local		(3,894)	(2,428)
Reinsurance premiums ceded – International		(65,824)	(53,639)
Excess of loss expenses		(20,508)	(19,745)
Net premiums written	8 (ii)	638,850	651,166
Changes in unearned premiums, net		(47,500)	163,684
Net premiums earned	8 (ii)	591,350	814,850
Reinsurance commissions earned		15,736	98,008
Other underwriting income		5,835	7,847
TOTAL REVENUES		612,921	920,705
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		606,774	975,630
Reinsurers' share of claims paid		(82,624)	(71,857)
Net claims paid		524,150	903,773
Changes in outstanding claims, net		(31,062)	(18,638)
Changes in IBNR, net		(90,671)	(126,548)
Changes in additional premium reserves		5,098	(7,159)
Changes in other reserves		(2,530)	(4,669)
Net claims incurred		404,985	746,759
Policy acquisition costs		77,336	98,018
TOTAL UNDERWRITING COSTS AND EXPENSES		482,321	844,777
NET UNDERWRITING INCOME		130,600	75,928

Chief Financial Officer | Chief Executive Officer | Director

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	Notes	31 December 2018	31 December 2017
		(SAR '000)	
OTHER OPERATING (EXPENSES)/ INCOME			
(Provision for) / reversal of doubtful debts	7	(11,532)	3,000
Salaries and staff related costs	22	(71,879)	(67,896)
Other general and administrative expenses	23	(46,030)	(47,445)
Investment income	21	19,660	8,989
Impairment on available for sale investment	10 & 21	(3,833)	(2,075)
Asset mis-match reserve		-	18,471
TOTAL OTHER OPERATING EXPENSES		(113,614)	(86,956)
TOTAL INCOME FOR THE YEAR		16,986	(11,028)
Total income attributable to insurance operations		(1,356)	-
Total income attributable to the shareholders		15,630	(11,028)
Basic and diluted earnings per share (Riyal Saudi)	24	0.31	(0.57)
Weighted average number of ordinary shares outstanding - (in thousands)	24	50,000	19,224

Chief Financial Officer

Chief Executive Officer

Director

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MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	31 December 2018	31 December 2017
	(SR '000)	
Total income for the year	**16,986**	(11,028)
Other comprehensive income		
Items that are or may be reclassified to statement of income in subsequent periods		
- Re-measurement loss on available for sale investments	**(231)**	(654)
Items that will not be reclassified to statement of income in subsequent periods		
- Re-measurement (loss)/gain on defined benefit plan	**(2,774)**	197
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**13,981**	(11,485)
Total comprehensive (income)/loss attributable to insurance operations	**(1,356)**	149
Total comprehensive income attributable to shareholders	**12,625**	(11,336)

Chief Financial Officer

Chief Executive Officer

Director

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MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Statutory Reserve	Accumulated losses	Fair value reserve for available for sale investments	Re-measurement loss on defined benefit plan	Total
			(SR '000)			
Balance at 1 January 2018	500,000	2,131	(50,108)	-	(1,557)	450,466
Net income for the year	-	-	15,630	-	-	15,630
Provision for zakat for current year	-	-	(13,000)	-	-	(13,000)
Change in fair value reserve for available for sale investment	-	-	-	(231)	-	(231)
Remeasurement loss on defined benefit plan	-	-	-	-	(2,774)	(2,774)
Balance at 31 December 2018	500,000	2,131	(47,478)	(231)	(4,331)	450,091
Balance at 1 January 2017	300,000	2,131	(213,080)	654	(1,754)	87,951
Reduction of share capital	(180,000)	-	180,000	-	-	-
Right shares issued	380,000	-	-	-	-	380,000
Net loss for the year	-	-	(11,028)	-	-	(11,028)
Provision for zakat for the year	-	-	(6,000)	-	-	(6,000)
Change in fair value reserve for available for sale investments	-	-	-	(654)	-	(654)
Remeasurement loss on defined benefit plan	-	-	-	-	197	197
Balance at 31 December 2017	500,000	2,131	(50,108)	-	(1,557)	450,466

Chief Financial Officer | Chief Executive Officer | Director

The accompanying notes 1 to 28 form an integral part of these financial statements.

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	31 December 2018	31 December 2017
	(SR '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	**16,986**	(11,028)
Adjustments for non-cash items:		
Depreciation	**2,134**	2,584
Impairment loss on available for sale investments	**3,833**	2,075
Loss on sale of available for sale investments	**102**	802
End-of-service indemnities provision	**2,207**	3,568
Reversal/(provision) of doubtful receivables	**11,532**	(3,000)
	36,794	(4,999)
Changes in operating assets and liabilities:		
Premiums and reinsurers' receivable	**(69,045)**	46,771
Reinsurers' share of unearned premiums	**(3,119)**	102,078
Reinsurers' share of outstanding claims and IBNR, net	**29,987**	48,020
Deferred policy acquisition costs	**(3,550)**	30,439
Deferred excess of loss premiums	**117**	(1,205)
Prepaid expenses and other assets	**(9,159)**	10,382
Policyholders claims payable	**13,515**	(85,775)
Accrued expenses and other liabilities	**(6,543)**	(99,256)
Reinsurers' balances payable	**(5,021)**	(31,780)
Unearned premiums	**50,619**	(265,762)
Unearned reinsurance commission	**476**	(19,621)
Outstanding claims	**(70,962)**	(61,779)
Claims incurred but not reported	**(80,758)**	(131,427)
Other technical reserves and additional premium reserves	**2,568**	(11,828)
Asset mismatch reserve	**-**	(18,471)
Due to related parties	**88**	22
End-of-service indemnities paid	**(4,128)**	(4,244)
Zakat paid	**(6,005)**	(3,436)
Net cash used in operating activities	**(124,126)**	(501,871)

~~Chief~~ Financial Officer

Chief Executive Officer

Director

The accompanying notes 1 to 28 form an integral part of these financial statements.

	31 December 2018	31 December 2017
	(SR '000)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Short-term Murabaha deposits, net	(460,349)	(143,000)
Additions in property and equipment	(796)	(354)
Statutory deposit	-	(30,000)
Proceeds from sale of available for sale investments	664	34,944
Net cash used in investing activities	(460,481)	(138,410)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from right shares issued	-	380,000
Net cash from financing activities	-	380,000
Net change in cash and cash equivalents	(584,607)	(260,281)
Cash and cash equivalents, beginning of the year	698,750	959,031
Cash and cash equivalents, end of the year	114,143	698,750
NON-CASH INFORMATION		
Reduction of share capital	-	180,000
Change in fair value of available for sale investments	(231)	(654)
Investment return on statutory deposit	1,387	672
Fully provided receivables written off	17,083	-
Remeasurement loss on defined benefits obligation	2,774	213

Chief Financial Officer

Chief Executive Officer

Director

The accompanying notes 1 to 28 form an integral part of these financial statements.

1. GENERAL

Malath Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company established in Riyadh, Kingdom of Saudi Arabia by Royal Decree Number M/60 and incorporated on 21 Rabi Al-Awal 1428H corresponding to 9 April 2007 under Commercial Registration No. 1010231787. The Company's head office is situated at Mohammad Bin Abdelaziz Street, P.O. Box 99763, Riyadh 11625, and Kingdom of Saudi Arabia.

The objectives of the Company are to engage in providing insurance and related services in accordance with its by-laws and the applicable regulations in the Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board 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 shareholders equity under retained earnings.

The accompanying financial information includes all routine adjustments mainly including recurring accruals considered necessary by the Company's management to present fairly statement of the financial position, results of operations and cash flows.

As required by Law on Supervision of Co-operative Insurance Companies, the Company maintains separate accounts for insurance and shareholders' operations and presents the financial information accordingly. Income and expenses clearly attributable to the relevant activity are recorded in the respective books of accounts. The basis of allocation of expenses from joint operations is determined by management and the Board of Directors.

In accordance with the Implementing Regulations, the Company is required to distribute 10% of the net annual surplus from the insurance operations to the policyholders and remaining 90% of the surplus is transferred to the shareholders' operations. Any deficiency arising on insurance operations is transferred to the shareholders' operations in full.

Basis of measurement

These financial statements are prepared under the historical cost convention except for the measurement at fair value of available for sale investments.

Functional and presentation currency

The financial statements are presented in Saudi Riyals being the functional currency of the Company. All financial information presented in Saudi Riyals have been rounded to the nearest thousands, except otherwise indicated.

Fiscal year

The Company follows a fiscal year ending December 31.

3. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

The accounting policies used in the preparation of these financial statements is consistent with those used in the preparation of the annual financial statements as of and for the year ended 31 December 2017, except for the adoption of new standards, amendments and revisions to existing standards mentioned below, which are applicable for the annual periods beginning on or after 1 January 2017 and had no significant financial impact on these financial statements of the Company:

New and amended standards issued and adopted

-Amendments to IAS 7 – "Statement of cash flows", applicable for the annual period beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

Standards issued but not yet effective

The following new or amended standards are not expected to have significant impact on the financial statements and the Company has chosen not to early adopt the following standards:

- ***IFRS 9, Financial Instruments***

In July 2014, the IASB published IFRS 9 Financial Instruments which will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard incorporates new classification and measurements requirements for financial assets, the introduction of an expected credit loss impairment model which will replace the incurred loss model of IAS 39, and new hedge accounting requirements. Under IFRS 9, all financial assets will be measured at either amortised cost or fair value. The basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. The standard retains most of IAS 39's requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value changes attributable to own credit is to be recognised in other comprehensive income instead of the income statement. The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle based approach.

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the new insurance contracts standard (IFRS 17).

The amendments introduce two alternative options of applying IFRS 9 for entities issuing contracts within the scope of IFRS 4: a temporary exemption; and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2021 and continue to apply IAS 39 to financial assets and liabilities. An entity may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as FVPL; and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016.

The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for certain designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.
An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time.

During 2018, the Company performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance. The Company intends to apply the temporary exemption from IFRS 9 and, therefore, continue to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 January 2018 and through the year ended 31 December 2018.

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

- IFRS 17 - "Insurance Contracts", applicable for the period beginning on or after 1 January 2021, and will supersede IFRS 4 "Insurance Contracts". Earlier adoption permitted if both IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' have also been applied. The Company expects a material impact on measurement and disclosure of insurance and reinsurance that will affect both the income statement and the balance sheet. The Company has decided not to early adopt this new standard. The Company expects no material impact on adoption of this new standard, however the analysis is ongoing.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below

Cash and cash equivalents
Cash and cash equivalents comprise of bank current accounts and short term Murabaha deposits with an original maturity of three months or less at the date of acquisition.

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

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

Impairment and uncollectibility of financial assets
An assessment is made at each statement of financial position date to determine whether there is objective evidence that a financial asset or a group of financial assets (including insurance receivables) may be impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the estimated recoverable amount of that asset is determined and any impairment loss is recognized for changes in its carrying amount as follows:

- for financial assets at amortized cost, the impairment loss is based on the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate;
- for financial assets at fair value, the impairment loss is based on the decline in fair value; and
- for assets carried at cost, impairment is the difference between the cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

For presentation purposes, the resulting allowance is carried in the respective category within the statement of financial position and statements of income or statement of comprehensive income are adjusted.

When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the event can be related objectively to an event occurring after the impairment was recognized then the previously recognized impairment loss is reversed through profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

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

Impairment of non-financial assets
Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment 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.

Deferred policy acquisition costs

Direct and indirect costs incurred during the financial year arising from the writing or renewing of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred.

Subsequent to initial recognition, these costs are amortized on a pro-rata basis based on the term of expected future premiums, except for marine cargo where the deferred portion shall be the cost incurred during the last quarter. 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. When the recoverable amounts are less than the carrying values an impairment loss is recognized in the statement of income. Deferred policy acquisition costs are also considered in the liability adequacy test for each reporting period.

Deferred policy acquisition costs are derecognized when the related contracts are either settled or disposed of.

Salvage and subrogation reimbursement
Some insurance contracts permit the Company to sell assets acquired in settling a claim. The Company may also have the right to pursue third parties for payment of some or all costs.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Available for sale investments
Available for sale financials assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Such investments are initially recognized at cost and subsequently measured at fair value. Cumulative changes in fair value of investments are shown as a separate component in the statement of financial position and statement of comprehensive income.
Realized gains or losses on sale of these investments are reported in the statement of comprehensive income. Dividends, commission income and foreign currency gain/loss on available for sale investments are recognized in the statement of income.

Any significant or prolonged decline in value of investments is adjusted for and reported in the statement of comprehensive income as impairment charges.

Fair values of investments are based on quoted prices for marketable securities, or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics. Where the fair value is not readily determinable, such investments are stated at cost less allowance for impairment in value, if any.

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

Property and equipment
Property and equipment are stated at cost net of accumulated depreciation and any impairment in value. When significant parts of property and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in the statement of income as incurred. The cost of Property and equipment, net is depreciated on the straight-line method over the estimated useful lives of the assets as follows:

	Percentage
Leasehold improvements	20%
Computer hardware	25%
Computer software	10%
Furniture and fixtures	10%
Office equipment	20%-25%
Motor vehicles	25%

An item of property and equipment, net and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition 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 when the asset is derecognized.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Foreign currency translation
Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position

date are translated at the exchange rates prevailing at that date. Gains and losses from settlement of such transactions and from translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are included in the statement of income or comprehensive income.

Liability adequacy test
At the end of each reporting period, a liability adequacy test is performed to ensure the adequacy of the insurance contracts liabilities net of related deferred policy acquisition cost using current estimates of future cash flows under insurance contracts. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to the statement of income initially by writing off related deferred policy acquisition costs and subsequently by establishing a provision for losses arising from liability adequacy tests.

Reinsurance
Reinsurance contracts are contracts entered into by the Company with reinsurers during the normal course of business under which the Company is compensated for losses on insurance contracts issued.

The benefits to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of balances due from reinsurers on settlement of claims and other receivables such as profit commissions and reinsurers' share of outstanding claims that are dependent on the expected claims and benefits arising under the related reinsured insurance contract. Amounts recoverable from or due to reinsurers are recognized consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense

Expenses are recognized in statements of income and comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in statements of income and comprehensive income on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over the accounting period. Expenses in the statements of income and comprehensive income are presented using the nature of expense method.

Receivables

Receivable are non-derivative financial assets with fixed or determinable payments. Receivables arising from insurance contracts are classified in this category. These are recognized when due and measured on initial recognition at the fair value of the considerations received or receivable. The carrying value of receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income. Receivable are derecognized when the derecognition criteria for financial assets have been met.

Revenue recognition

Recognition of premium and commission revenue

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

- Last three months from the period in respect of marine cargo;
- 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.

The Company commenced using the pre-defined calculation for engineering class of business staring 1 January 2014. As only the calculation for deferring the premiums has been amended, this is a change in accounting estimate.

This change in calculation is expected to have minimal impact on the net earned premiums of the Company for future years as the net retention of the Company in respect of engineering business is considered to be minimal by management.

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

Fee income on insurance contracts

Insurance policyholders are charged for policy administration services and other contract fees. These fees are recognized as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognized over future periods.

Investment income

Investment income is recognized on an effective yield basis taking account of the principal outstanding and the commission rate applicable.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Claims
Gross claims consist of benefits and claims paid to policyholders, changes in the valuation of the liabilities arising on policyholders' contracts and internal and external claims handling expenses net of salvage recoveries.

Outstanding claims comprise the estimated cost of claims incurred but not settled at the statement of financial position date 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 statement of financial position date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported (IBNR) including related claims handling costs and the expected value of salvage and other recoveries at the statement of financial position date. Any difference between the provisions at the statement of financial position date and settlements and provisions in the following period is included in the statement of income for that year.

The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately.

End-of-service benefits
Employees' end-of-service benefits provision is determined using actuarial valuations. The actuary uses Projected Unit Credit (PUC) method. This involves projecting benefits to leaving service, retirement or death

allowing for probabilities of reaching those states, also allowing for salary escalation over time, and then discounting those benefits to the valuation date. The significant assumptions have been disclosed in Note 16.1.

De-recognition of financial instruments
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

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

Offsetting
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the 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 and comprehensive income unless required or permitted by any accounting standard or interpretation.

Zakat
The Company is subject to zakat in accordance with the Regulations of the General Authority of Zakat and Income Tax ("GAZT") in the Kingdom of Saudi Arabia. Zakat is accrued and charged directly to the shareholders equity under retained earnings.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting

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 five reportable segments as follows:

Property provides coverage against fire insurance, and any other insurance included under this class of insurance.

- Engineering provides coverage for builders' risks, construction, mechanical, electrical, electronic, and machinery breakdown, and any other insurance included under this class of insurance.
- Motor provides coverage against losses and liability related to motor vehicles.
- Medical provides coverage for health.
- Others include miscellaneous accident and marine.

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 period. If any transactions were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments which will be eliminated at the level of the financial statements of the Company.

Prepayments

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

Accrued expenses and other liabilities

Accrued expenses and other liabilities are recognized for amounts to be paid in the future for goods and services, whether billed by the supplier or not.

Unearned commission income

Commission receivable on outwards reinsurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate. Amortization is recorded in the statement of income.

Critical accounting judgments, estimates and assumptions

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

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. 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. The key assumptions concerning the future and other key sources of estimating uncertainty at the statement of financial position date are discussed below.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Further details of the specific estimate and judgments made by management are given in the relevant accounting policies notes:

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

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating 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 on or before 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.

(ii) *Impairment of available for sale financial assets*

The Company determines that available for sale 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.

(iii) *Impairment losses on 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 being indicative of the ability to pay all amounts due as per contractual terms (Refer note 7).

(iv) *Deferred acquisition costs*

Certain acquisition costs related to the sale of new policies are recorded as deferred acquisition costs and are amortized in the statement of income over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of income.

(v) *Going concern*

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

5. CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
	(SR '000)	
Insurance operations		
Cash in hand	-	4
Cash at bank	16,352	27,894
Short term Murabaha deposits having original maturity of less than three months	50,000	450,000
	66,352	477,898
Shareholders' operations		
Cash at bank	47,791	70,852
Short term Murabaha deposits having original maturity of less than three months	-	150,000
	47,791	220,852
Total cash and cash equivalents	114,143	698,750

Short term Murabaha deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Company. The short term Murabaha deposits are subject to an average commission rate of 2.48% per annum as at 31 December 2018 (31 December 2017: 1.68% per annum).

The carrying amounts disclosed above are not materially different from their fair values at the date of the statement of financial position.

6. SHORT TERM MURABAHA DEPOSITS

	31 December 2018	31 December 2017
	(SR '000)	
Insurance operations		
Short term Murabaha deposits	365,349	55,000
Shareholders' operations		
Short term Murabaha deposits	313,000	163,000
Total short term Murabaha deposits	678,349	218,000

The above short term Murabaha deposits have an original maturity period of more than three months from the date of acquisition. These deposits are subject to an average commission rate of 3.07% per annum as at 31 December 2018 (31 December 2017: 2.06% per annum).

The carrying amounts disclosed above are not materially different from their fair values at the date of the statement of financial position.

7. PREMIUMS AND REINSURERS' RECEIVABLE, NET

Receivable from insurance operations comprise net amounts due from the following parties:

	31 December 2018	31 December 2017
	(SR '000)	
Policyholders	200,786	104,230
Reinsurers	299	26,559
Other recoveries	-	15,432
Insurance companies	3,113	1,640
Agents and brokers	2,617	6,992
Receivables, gross	206,815	154,853
Provision for doubtful receivables – insurance	(34,380)	(22,864)
Provision for doubtful receivables – reinsurance	(69)	(17,136)
Total provision for doubtful receivables	(34,449)	(40,000)
Premiums and reinsurers' receivable – net	172,366	114,853

Movement schedule of provision for doubtful receivable

Movement schedule of provision for doubtful receivable		
Opening balance	40,000	43,000
Provision charge for the year	11,532	-
Reversal of provision for doubtful debts	-	(3,000)
Fully provided receivables written off	(17,083)	-
	34,449	40,000

As at year end, the ageing of gross receivables is as follows:

		Past due but not impaired	Past due and impaired		
	Total	Less than 90 Days	91-180 Days	181-360 Days	More than 360 days
			SR'000		
Premium and reinsurance receivables					
- Policyholders'	195,690	109,984	36,981	21,933	26,792
- Related parties	10,826	1,277	1,908	7,641	-
- Reinsurers	299	10	125	83	81
31 December 2018	206,815	111,271	39,014	29,657	26,873
Premium and reinsurance receivables					
- Policyholders'	128,300	75,659	8,547	39,852	4,242
- Related parties	674	674	-	-	-
- Reinsurers	25,879	3,922	4,249	1,390	16,318
31 December 2017	154,853	80,255	12,796	41,242	20,560

Receivables comprise a large number of customers and insurance companies mainly within the Kingdom of Saudi Arabia. The Company's terms of business require amounts to be paid within the due date of the transaction. Arrangements with reinsurers normally require settlement within a certain agreed period.

The five largest non-Government customers, including reinsurance receivable, account for 44% of gross outstanding accounts receivable as at 31 December 2018 (31 December 2017: 41%).

8. TECHNICAL RESERVES

(i) Net outstanding claims and reserves

Net outstanding claims and reserves comprise the following:

	31 December 2018	31 December 2017
	(SR '000)	
Outstanding claims	60,548	121,906
Less: Realizable value of salvage and subrogation	(25,509)	(15,905)
	35,039	106,001
Claims incurred but not reported	236,506	317,264
Additional premium reserves	15,612	10,514
Other technical reserves	12,697	15,227
	299,854	449,006
Reinsurers' share of outstanding claims	(67,855)	(107,755)
Reinsurers' share of claims incurred but not reported	(17,878)	(7,965)
	(85,733)	(115,720)
Net outstanding claims and reserves	**214,121**	333,286

(ii) Movement in unearned premiums

Movement in unearned premiums comprises the following:

	Year ended 31 December 2018		
	Gross	**Reinsurance**	**Net**
		(SR '000)	
Balance as at the beginning of the year	**216,401**	**(16,071)**	**200,330**
Premiums written during the year	729,076	(90,226)	638,850
Premiums earned during the year	(678,457)	87,107	(591,350)
Balance as at the end of the year	267,020	(19,190)	247,830

	Year ended 31 December 2017		
	Gross	Reinsurance	Net
		(SR '000)	
Balance as at the beginning of the year	482,163	(118,149)	364,014
Premiums written during the year	726,978	(75,812)	651,166
Premiums earned during the year	(992,740)	177,890	(814,850)
Balance as at the end of the year	216,401	(16,071)	200,330

9. DEFERRED POLICY ACQUISITION COSTS

	31 December 2018	31 December 2017
	(SR' 000)	
At the beginning of the year	**17,508**	47,947
Incurred during the year	**80,886**	67,579
Amortized during the year	**(77,336)**	(98,018)
At the end of the year	**21,058**	17,508

10. AVAILABLE FOR SALE INVESTMENTS

	31 December 2018	31 December 2017
	(SR '000)	
Insurance operations		
Unquoted		
NCB Capital- Real Estate Development Fund	**3,322**	4,600
Shareholders' operations		
Quoted		
Saudi Re-insurance Cooperative Company (Saudi Re) – Shares	-	766
Unquoted		
TASNEE Sukuk (Maturing May 2019)	**10,000**	10,000
NCB Capital- Real Estate Development Fund	**6,645**	9,200
SEDCO Capital - Real Estate Income Fund 2	**13,731**	13,962
Najm Company for Insurance Services - Shares	**1,923**	1,923
	32,299	35,851
Total available for sale investments	**35,621**	40,451

The fair values of the unquoted mutual funds computed above are based on the latest reported net assets as at the reporting date. Further, the unquoted sukuk are carried at an amount which as per the management is the best estimate of the exit price i.e. fair value.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises.

10. AVAILABLE FOR SALE INVESTMENTS (continued)

a) Movement in the investment balance is as follows:

	Quoted securities	Unquoted securities	Total
		SR'000	
Insurance operations			
Balance at 1 January 2018	-	4,600	4,600
Impairment on available for sale investments	-	(1,278)	(1,278)
Balance at 31 December 2018	-	3,322	3,322
Balance at 1 January 2017	-	5,346	5,346
Remeasurement loss		(346)	(346)
Impairment on available for sale investments	-	(400)	(400)
Balance at 31 December 2017	-	4,600	4,600
Shareholders' operations			
Balance at 1 January 2018	766	35,085	35,851
Disposals	(766)	-	(766)
Impairment of investments	-	(2,555)	(2,555)
Re-measurement loss	-	(231)	(231)
Balance at 31 December 2018	-	32,299	32,299
Balance at 1 January 2017	603	72,231	72,834
Disposals	-	(35,000)	(35,000)
Impairment of investments	-	(1,675)	(1,675)
Re-measurement gain / (loss)	163	(471)	(308)
Balance at 31 December 2017	766	35,085	35,851

b) Determination of fair value and fair value hierarchy of available for sale investments

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

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

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

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

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

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

The table below presents the financial instruments at their fair values as at 31 December 2018 and 31 December 2017 based on the fair value hierarchy.

10. AVAILABLE FOR SALE INVESTMENTS (continued)

	Level 1	Level 2	Total
		(SR '000)	
31 December 2018			
Insurance Operations			
Available for sale financial assets			
Mutual Fund	-	3,322	3,322
Shareholders' Operations			
Available for sale financial assets			
Equity securities	-	1,923	1,923
Mutual Funds	-	20,376	20,376
Sukuk	-	10,000	10,000
	-	32,299	32,299

	Level 1	Level 2	Total
		(SR '000)	
31 December 2017			
Insurance Operations			
Available for sale financial assets			
Mutual Fund	-	4,600	4,600
Shareholders' Operations			
Available for sale financial assets			
Equity securities	766	1,923	2,689
Mutual Funds	-	23,162	23,162
Sukuk	-	10,000	10,000
	766	35,085	35,851

The fair values of all other financial assets and liabilities which are carried at cost, are not significantly different from the carrying values included in this financial information, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and on account of the short duration of the assets and liabilities.

There were no transfers between the levels of fair value hierarchies during the year.

Level 2 valuation technique:

Level 2 investments comprise investment in private equity funds and debt instruments. The fair value of private equity funds computed is based on the funds latest reported net asset value as at the financial position date. Further, the debt instruments are carried at an amount, which as per the management is the best estimate of the exit price i.e. fair value. The carrying values as at 31 December 2018 and 31 December 2017 approximate their fair value.

11. PREPAID EXPENSES AND OTHER ASSETS

	31 December 2018	31 December 2017
	(SR' 000)	
Insurance operations		
Prepaid employee benefits and others	**2,728**	2,642
Deferred expenses	**5,316**	1,621
Prepaid rent	**2,496**	3,268
Advance to employees	**1,570**	1,678
Accrued commission receivable	**7,662**	1,625
Guarantee deposits	**300**	300
Others	**1,568**	1,347
Total	21,640	12,481

12. PROPERTY AND EQUIPMENT, NET

	Leasehold improvements	Computer hardware	Computer software	Furniture and fixtures	Office equipment	Motor vehicles	Total 2018
				(SR' 000)			
Cost:							
At the beginning of the year	15,690	11,069	3,345	3,848	2,933	84	36,969
Additions	62	81	336	-	317	-	796
At the end of the year	15,752	11,150	3,681	3,848	3,250	84	37,765
Accumulated depreciation:							
At the beginning of the year	13,369	10,028	2,628	2,929	2,759	84	31,797
Charge during the year	754	560	358	297	165	-	2,134
At the end of the year	14,123	10,588	2,986	3,226	2,924	84	33,931
Net book value:							
31 December 2018	1,629	562	695	622	326	-	3,834

12. PROPERTY AND EQUIPMENT, NET (Continued)

	Leasehold improvements	Computer hardware	Computer software	Furniture and fixtures	Office equipment	Motor vehicles	Total 2017
				(SR' 000)			
Cost:							
At the beginning of the year	15,690	10,730	3,345	3,836	2,930	84	36,615
Additions	-	339	-	12	3	-	354
At the end of the year	15,690	11,069	3,345	3,848	2,933	84	36,969
Accumulated depreciation							
At the beginning of the year	12,395	9,259	2,294	2,584	2,597	84	29,213
Charge during the year	974	769	334	345	162	-	2,584
At the end of the year	13,369	10,028	2,628	2,929	2,759	84	31,797
Net book value							
31 December 2017	2,321	1,041	717	919	174	-	5,172

13. STATUTORY DEPOSIT

In compliance with Article 58 of the Implementing Regulations issued by the Saudi Arabian Monetary Authority (SAMA), the Company has deposited 15 percent (31 December 2017: 15 percent) of its share capital, amounting to SR 75 million (31 December 2017: 75 million), in a bank designated by SAMA. The statutory deposit is maintained with a reputed local bank and can be withdrawn only with the consent of SAMA. The Company is not entitled to receive the investment return on this deposit. This investment return is shown as a separate line item in the Statement of Financial Position.

14. REINSURERS' SHARE OF OUTSTANDING CLAIMS

	31 December 2018	31 December 2017
	(SR' 000)	
Reinsurers' share of outstanding claims	**67,855**	107,755

Substantially all of the amounts due from reinsurers are expected to be received within twelve months of the statement of financial position date. Reinsurers share of outstanding claims are calculated in proportion to the related risk distribution pattern.

Amounts due from reinsurers relating to claims already paid by the Company are included in receivables, net of provision (note 7).

15. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities comprise of the following:

	31 December 2018	31 December 2017
	(SR' 000)	
Commission payable	**21,006**	21,577
Provision for withholding tax on reinsurance payments	**33,268**	28,685
Accrued employees' salaries and other benefits	**721**	681
Accrued vacation allowance	**2,563**	2,373
Accrued SAMA inspection fees	**374**	343
Accounts payable - GOSI and others	**2,299**	2,212
Accrued CCHI inspection fees	**260**	334
Accrued professional fees	**618**	460
Other liabilities	**32,360**	43,265
	93,469	99,930

16. END-OF-SERVICE BENEFITS

During the year, the Company has valued the provision for end of service benefits using the Projected Unit Credit ("PUC") method. This involves projecting benefits to leaving service, retirement or death allowing for probabilities of reaching those states, also allowing for salary escalation over time, and then discounting those benefits to the valuation date.

The effect of using PUC method has been recognized in the current year as the impact on previous years was not material.

16. END-OF-SERVICE BENEFITS (Continued)

	31 December 2018	31 December 2017
	(SR' 000)	
Movement of end of service benefits:		
At the beginning of the year	13,081	13,544
Current service cost	1,873	2,998
Interest cost,net	334	570
Net benefit expenses	2,207	3,568
Benefits paid during the year	(4,128)	(4,244)
Actuarial loss from experience adjustments	2,692	213
At the end of the year	13,852	13,081

Actuarial assumptions:

The following were the principal actuarial assumptions at the reporting date:

	31 December 2018	31 December 2017
Discount rate	3 %	4.2 %
Salary escalation	5 %	4.5 %

Sensitivity analysis:

The sensitivity analyses have been determined based on a method that extrapolates the impact on the end-of-service benefits ("EOSB") liability as a result of reasonable changes in key assumptions occurring at the end of the reporting period. It is based on a change in a significant assumption, keeping all other assumptions constant and may not be representative of an actual change in the end-of-service benefits liability as it is unlikely that changes in assumptions would occur in isolation of one another. The same method has been applied for the sensitivity analysis as when calculating the recognised end-of-service benefits liability.

A quantitative sensitivity analysis for significant assumption on the defined benefit obligation as at 31 December 2018 and 31 December 2017 is, as shown below :

	31 December 2018	31 December 2017
	(SR' 000)	
Discount rate		
Discount rate is 50 basis points higher, the EOSB would decrease by	373	711
Discount rate is 50 basis points lower, the EOSB would increase by	391	846
Future salary increases		
Future salary growth increase by 1%, the EOSB would increase by	703	1,671
Future salary growth decrease by 1%, the EOSB would decrease by	654	1,431

17. 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 mutually agreed and are approved by the Company's management.

The transactions with related parties and the related amounts are as follows:

	31 December 2018	31 December 2017
	(SR '000)	
Gross premiums written to companies related to the members of Board of Directors (BOD)	**209,717**	2,909
Gross premiums received from BOD members	**47**	39
Gross claims paid to companies related to BOD members	**80,851**	58,160
Gross claims paid to BOD members	**1**	2
Board of Directors' and committees meeting fees	**441**	312
Net reinsurance premium paid to a reinsurance brokerage firm related to a BOD member	**188**	1,047
Net reinsurance claims received from a reinsurance brokerage firm related to a BOD member	**-**	39
Annual remuneration paid to Board of Directors	**1,725**	-

Balances due from / (to) related parties comprise the following:

	31 December 2018	31 December 2017
	(SR '000)	
Premiums receivable from companies related to BOD members	**10,826**	662
Net reinsurance balance payable to a reinsurance brokerage firm related to a BOD member	**151**	77
Commission payable to brokerage firms owned by BOD Member	**14**	-

Remuneration and compensation of BOD members and key management personnel

2018	**Board members (Non-executives)**	**Key management personnel including the CEO and CFO**
	SR'000	
Salaries and compensation	-	**5,938**
Allowances	399	**-**
Annual remuneration	1,725	**679**
End of service indemnities	-	**290**
	2,124	6,907

17. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

2017	Board members (Non-executives)	Key management personnel including the CEO and CFO
	SR'000	
Salaries and compensation	-	6,070
Allowances	229	12
Annual remuneration	-	347
End of service indemnities	-	336
	229	6,765

18. ZAKAT

The estimated zakat base of the Company, which is subject to adjustments under Zakat regulations, consists of the following:

	31 December 2018	31 December 2017
	(SR' 000)	
Share capital	**500,000**	300,000
Adjusted income / (loss) before Zakat	**35,953**	(11,028)
Property and equipment, net	**(3,834)**	(15,480)
Adjusted available for sale investments	**(25,621)**	(30,451)
Statutory deposit	**(75,000)**	(75,000)
Accumulated losses	**(121,106)**	(121,788)
Provisionand adjustments	**209,608**	81,765
Estimated Zakat base	**520,000**	128,018

The movement in the Zakat provision is as follows:

	31 December 2018	31 December 2017
	(SR' 000)	
At the beginning of the year	**22,871**	20,307
Charge for the year	**13,000**	6,000
Paid during the year	**(6,005)**	(3,436)
At the end of the year	**29,866**	22,871

Status of Assessment

The Company had filed the Zakat return for the years 2016 & 2017 and received a temporary Zakat certificate. No assessments have been received from GAZT till date in respect of these years.

Status of Appeals

Zakat years 2007 to 2010: The Company had filed an appeal against the final assessment of GAZT and submitted a letter of guarantee to GAZT for zakat and withholding income tax amounting to SR 31.81 million, which is included in the contingent liabilities note (20). During the year 2017, the primary appeal committee issued a report in which certain arguments of the Company were rejected. The Company appealed against this report in Higher Appeal Committee dated 18/10/1438 H, which is pending for decision.

18. ZAKAT (continued)

Zakat years 2011 to 2015: The Company has also filed an appeal to primary appeal committee against the final assessment of Zakat issued by GAZT amounting to SR 8 million which is pending for decision.

19. SHARE CAPITAL

As at 31 December 2018 and 31 December 2017, the issued and paid up share capital of the Company amounts to SR 500 million, divided into 50 million ordinary shares of SR 10 each.

20. COMMITMENTS AND CONTINGENCIES

a) The Company's contingent liabilities are as follows:

	31 December 2018	31 December 2017
	(SR '000)	
Letters of guarantee	**44,512**	44,447

b) There were no outstanding commitments as at 31 December 2018 and 31 December 2017.

21. INVESTMENT INCOME

	31 December 2018	31 December 2017
	(SR' 000)	
Insurance operations:		
Commission income on short term Murabaha deposits	**10,642**	7,423
Reversal of commission income on available for sale investments	**-**	(73)
Impairment loss on available for sale investments	**(1,278)**	(400)
Investment income	**9,364**	6,950

	31 December 2018	31 December 2017
	(SR' 000)	
Shareholders operations:		
(Loss)/gain on sale of available for sale investments	**(102)**	(802)
Income on available for sale investments	**343**	363
Dividend income from available for sale investments	**1,575**	770
Commission income on short term Murabaha deposits	**7,202**	1,308
Impairment loss on available for sale investments, net	**(2,555)**	(1,675)
Investment income/(loss)	**6,463**	(36)

22. SALARIES AND STAFF RELATED COSTS

	31 December 2018	31 December 2017
	(SR' 000)	
Basic salaries	35,866	35,574
Housing allowances	8,642	8,680
Staff bonus	5,500	2,732
Transportation allowances	3,638	3,640
Insurance	4,741	4,702
End-of-service benefits	2,207	3,670
Social security charges	3,600	3,689
Others	7,685	5,209
	71,879	67,896

23. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2018	31 December 2017
	(SR' 000)	
Occupancy charges	6,287	6,762
Inspection fees	5,464	6,207
Professional fees	4,439	4,335
Depreciation expense (note 12)	2,134	2,584
Advertisement and promotion	1,723	296
Withholding tax	5,228	7,674
Office supplies	2,065	308
Communication expenses	931	864
Training and development	405	194
IT expenses	5,676	4,286
Others	11,678	13,935
	46,030	47,445

24. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share has been calculated by dividing the income attributable to the shareholders for the period by the weighted average number of issued and outstanding ordinary shares.

The weighted average number of shares has been retrospectively adjusted for all prior periods to reflect the bonus element of the rights issued during 2017 in accordance with IAS 33-"Earnings per share" as follows:

	For the year ended 31 December	
	2018	2017
	In thousands	
Issued ordinary shares as 01 January	50,000	30,000
Effect of capital reduction	-	(18,000)
Effect of rights issue of shares	-	7,224
Weighted average number of shares at 31 December	50,000	19,224

Diluted earnings per share is the same as basic earnings per share as the Company has not issued any instrument, which would have impact on profit per share when exercised.

25. SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process; operating segments have been approved by management in respect of the Company's activities, assets and liabilities. The Chief Operating Decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, is identified as the Chief Executive Officer that makes strategic decisions, information disclosed in this note is based on current reporting to the Chief Executive Officer.

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

Segment results do not include commission on short-term Murabaha deposits. Segment assets do not include insurance operations' cash and cash equivalents, short-term Murabaha deposits, available for sale investments, receivables, prepaid expenses and other assets and property and equipment. Accordingly, they are included in unallocated assets. Segment liabilities do not include reinsurers' balances payable, policyholders claims payable, accrued expenses and other liabilities, accumulated surplus and due to related parties. Accordingly, they are included in unallocated liabilities.

These unallocated assets and liabilities (including the related charges for provision for doubtful debts on premiums and reinsurers' receivable and depreciation on the property and equipment) are not reported to Chief Executive Officer under related segments and are monitored on a centralized basis.

25. SEGMENTAL INFORMATION (continued)

For the year ended 31 December 2018

Operating segments	Property	Engineering	Motor	Medical	Others	Total
			(SR '000)			
Gross written premiums	48,357	7,600	441,087	205,099	26,933	729,076
Reinsurance premiums ceded – Local	(1,920)	(779)	-	-	(1,195)	(3,894)
Reinsurance premiums ceded – International	(42,951)	(5,874)	-	-	(16,999)	(65,824)
Excess of loss expenses	(804)	(853)	(11,155)	(6,881)	(815)	(20,508)
Net premiums written	2,682	94	429,932	198,218	7,924	638,850
Changes in unearned premiums, net	(525)	(107)	(5,082)	(41,658)	(128)	(47,500)
Net premiums earned	2,157	(13)	424,850	156,560	7,796	591,350
Reinsurance commission earned	8,106	1,572	-	-	6,058	15,736
Other underwriting income	122	123	5,012	427	151	5,835
TOTAL REVENUES	10,385	1,682	429,862	156,987	14,005	612,921
Gross claims paid	50,342	22,681	397,920	131,628	4,203	606,774
Reinsurers' share of claims paid	(49,753)	(20,756)	(5,592)	(4,644)	(1,879)	(82,624)
Net claims paid	589	1,925	392,328	126,984	2,324	524,150
Changes in outstanding claims, net	(59)	(1,743)	(39,965)	11,046	(341)	(31,062)
Changes in IBNR, net	52	32	(77,248)	926	(14,433)	(90,671)
Change in additional premium reserves	307	499	(2,815)	7,107	-	5,098
Change in other technical reserves	(2)	(42)	(2,765)	299	(20)	(2,530)
Net claims incurred	887	671	269,535	146,362	(12,470)	404,985
Policy acquisition costs	4,966	512	40,482	10,386	20,990	77,336
TOTAL UNDERWRITING COSTS	5,853	1,183	310,017	156,748	8,520	482,321
NET UNDERWRITING INCOME	4,532	499	119,845	239	5,485	130,600
Allowance for doubtful debts						(11,532)
Salaries and staff related costs						(71,879)
Other general and administrative expenses						(46,030)
Investment income						19,660
Impairment loss on available for sale investments						(3,833)
TOTAL INCOME FROM OPERATIONS						16,986

25. SEGMENTAL INFORMATION (continued)

For the year ended 31 December 2017

Operating segments	Property	Engineering	Motor	Medical	Others	Total
			(SR '000)			
Gross written premiums	39,831	4,423	534,269	128,560	19,895	726,978
Reinsurance premiums ceded - Local	(1,327)	(404)	-	-	(697)	(2,428)
Reinsurance premiums ceded – International	(37,278)	(3,493)	-	-	(12,868)	(53,639)
Excess of loss expenses	(804)	(496)	(12,443)	(5,092)	(910)	(19,745)
Net written premiums	422	30	521,826	123,468	5,420	651,166
Changes in unearned premiums, net	76	164	155,644	(10,776)	18,576	163,684
Net earned premiums	498	194	677,470	112,692	23,996	814,850
Reinsurance commission earned	12,930	8,766	68,210	-	8,102	98,008
Other underwriting income	246	29	6,496	925	151	7,847
TOTAL REVENUES	13,674	8,989	752,176	113,617	32,249	920,705
Gross claims paid	43,007	766	847,657	75,126	9,074	975,630
Reinsurers' share of claims paid	(42,633)	(648)	(17,372)	(5,102)	(6,102)	(71,857)
Net claims paid	374	118	830,285	70,024	2,972	903,773
Changes in outstanding claims, net	(165)	(363)	(22,606)	4,609	(113)	(18,638)
Changes in IBNR, net	(113)	(101)	(144,087)	4,046	13,707	(126,548)
Additional Premium reserve	-	-	(7,159)	-	-	(7,159)
Other technical reserves	(12)	(15)	(4,639)	47	(50)	(4,669)
Net claims incurred	84	(361)	651,794	78,726	16,516	746,759
Policy acquisition costs	4,998	1,271	79,785	7,191	4,773	98,018
TOTAL UNDERWRITING COSTS	5,082	910	731,579	85,917	21,289	844,777
NET UNDERWRITING INCOME	8,592	8,079	20,597	27,700	10,960	75,928
Reversal of doubtful debts						3,000
Salaries and staff related costs						(67,896)
Other general and administrative expenses						(47,445)
Investment income						8,989
Impairment loss on available for sale investments						(2,075)
Asset mis-match reserve						18,471
TOTAL INCOME FROM OPERATIONS						(11,028)

25. SEGMENTAL INFORMATION (continued)

As at 31 December 2018

Operating segments	Property	Engineering	Motor	Medical	Others	Total
			(SR '000)			
Assets						
Reinsurers' share of unearned premiums	10,549	3,780	-	-	4,861	19,190
Reinsurers' share of outstanding claims	34,614	6,088	19,065	-	8,088	67,855
Reinsurers' share of claims Incurred but not reported	15,585	796	-	-	1,497	17,878
Deferred policy acquisition costs	1,249	411	12,889	5,704	805	21,058
Deferred excess of loss premiums	-	-	997	91	-	1,088
Unallocated assets						1,106,458
Total assets						1,233,527
Liabilities						
Unearned premiums	11,408	4,138	151,676	92,547	7,251	267,020
Unearned reinsurance commission	2,234	794	-	-	1,441	4,469
Outstanding claims	35,515	6,703	(40,610)	22,026	11,405	35,039
Claims incurred but not reported	15,720	849	205,851	11,740	2,346	236,506
Additional premium reserves	307	499	7,699	7,107	-	15,612
Other technical reserves	117	208	11,425	844	103	12,697
Unallocated liabilities						212,093
Total liabilities						783,436

25. SEGMENTAL INFORMATION (continued)

As at 31 December 2017

Operating segments	Property	Engineering	Motor	Medical	Others	Total
			(SR '000)			
Assets						
Reinsurers' share of unearned premiums	9,079	2,081	-	-	4,911	16,071
Reinsurers' share of outstanding claims	59,321	24,850	15,382	-	8,202	107,755
Reinsurers' share of claims Incurred but not reported	6,015	469	-	-	1,481	7,965
Deferred policy acquisition costs	815	153	12,449	3,422	669	17,508
Deferred excess of loss premiums	34	16	664	456	35	1,205
Unallocated assets						1,168,825
Total assets						1,319,329
Liabilities						
Unearned premiums	9,413	2,331	146,593	50,888	7,176	216,401
Unearned reinsurance commission	2,124	370	-	-	1,499	3,993
Outstanding claims	60,281	27,208	(4,328)	10,979	11,861	106,001
Claims incurred but not reported	6,097	490	283,099	10,814	16,764	317,264
Additional premium reserves	-	-	10,514	-	-	10,514
Other technical reserves	119	250	14,190	545	123	15,227
Unallocated liabilities						199,463
Total liabilities						868,863

26. RISK MANAGEMENT

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

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

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

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

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

26. RISK MANAGEMENT (continued)

26.1 Insurance risk

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

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

A significant portion of reinsurance business ceded is placed on a proportional 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.

A key feature of the liability adequacy testing is that the effects of changes in the assumptions on the measurement of the liabilities and related assets are not symmetrical. Any improvements in estimates have no impact on the value of the liabilities and related assets until the liabilities are derecognized, while significant enough deterioration in estimates is immediately recognized to make the liabilities adequate.

Sensitivities

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

31 December 2018	Change in assumptions	Impact on net liabilities SR'000	Impact on net income SR'000
Ultimate loss ratio	+ 10%	59,135	(59,135)
	- 10%	(59,135)	59,135

31 December 2017	Change in assumptions	Impact on net liabilities SR'000	Impact on net income SR'000
Ultimate loss ratio	+ 10%	83,459	(83,459)
	- 10%	(83,459)	83,459

26.2 Reinsurance risk

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.

26. RISK MANAGEMENT (continued)

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

Reinsurers are selected using the following parameters and guidelines set by the Company's board of directors and Reinsurance Committee. The criteria may be summarized as follows:

a. Minimum acceptable credit rating by recognized rating agencies that is not lower than BBB.
b. Reputation of particular reinsurance companies.
c. Existing or past business relationship with the reinsurer.

The exception to this rule is in respect of local companies who do not carry any such credit rating. This, however, is limited to those companies registered and approved by the local insurance regulators.

Furthermore, the financial strength and managerial and technical expertise as well as historical performance, wherever applicable, are thoroughly reviewed by the Company and matched against a list of requirements pre-set by the Company's board of directors and Reinsurance Committee before approving them for exchange of reinsurance business.

26.3 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management assesses that there is minimal risk of significant losses due to exchange rate fluctuations and, consequently, the Company does not hedge its foreign currency exposure.

26.4 Commission rate risk

The Company invests in securities and has deposits that are subject to commission rate risk. Commission rate risk to the Company is the risk of changes in commission rates reducing the overall return on its commission rate bearing securities. The Commission rate risk is limited by monitoring changes in commission rates in the currencies in which its cash and cash equivalents and investments are denominated.

A hypothetical 100 basis points change in the effective commission rates of the floating rate financial assets balances at 31 December 2018 for the policyholders and shareholders would impact commission income annually by approximately SR 4.15 million (2017: 5.05 million) and SR 3.23 million (2017: SR 3.23 million) respectively, in aggregate.

26. RISK MANAGEMENT (continued)

Maturities of the Company's investments as at 31 December 2018 and 31 December 2017 are as follows:

2018

	Commission bearing				
	Less than 1 year	1 to 5 years	Over 5 years	Non-commission bearing	Total
			SR'000		
Insurance operations					
Cash and cash equivalents	50,000	-	-	16,352	66,352
Short term Murahaba deposits	65,349	300,000	-	-	365,349
Available for sale investments	-	-	-	3,322	3,322
31 December 2018	115,349	300,000	-	19,674	435,023
Shareholders' operations					
Cash and cash equivalents	-	-	-	47,791	47,791
Short term Murahaba deposits	313,000	-	-	-	313,000
Available for sale investments	10,000	-	-	22,299	32,299
31 December 2018	323,000	-	-	70,090	393,090

2017

	Commission bearing				
	Less than 1 year	1 to 5 years	Over 5 years	Non-commission bearing	Total
			SR'000		
Insurance operations					
Cash and cash equivalents	450,000	-	-	27,894	477,894
Short term Murahaba deposits	55,000	-	-	-	55,000
Available for sale investments		-		4,600	4,600
31 December 2017	505,000	-	-	32,494	537,494
Shareholders' operations					
Cash and cash equivalents	150,000	-	-	70,852	220,852
Short term Murahaba deposits	163,000	-	-	-	163,000
Available for sale investments	-	10,000	-	25,851	35,851
31 December 2017	313,000	10,000	-	96,703	419,703

There is no significant difference between contractual re-pricing and maturity dates.

26.5 Credit risk

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

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

26. RISK MANAGEMENT (continued)

- The Company only enters into insurance and reinsurance contracts with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Company's investment portfolio is managed by the investment officer in accordance with the investment policy established by the board of directors.
- The Company, with respect to credit risk arising from other financial assets, is restricted to commercial banks, private banking and counterparties having strong balance sheets and credit ratings.
- There are no significant concentrations of credit risk within the Company except as disclosed in note 8.

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

	31 December 2018	31 December 2017
	(SR' 000)	
Insurance operations' assets		
Cash and cash equivalents	**66,352**	477,894
Short term Murabaha deposits	**365,349**	55,000
Available for sale investment	**3,322**	4,600
Receivables, net	**206,815**	154,853
Reinsurers' share of outstanding claims	**67,855**	107,755
Prepaid expenses and other assets	**11,100**	4,950
	720,793	805,052
Shareholders' assets		
Cash and cash equivalents	**47,791**	220,852
Short term Murabaha deposits	**313,000**	163,000
Available for sale investments	**32,299**	35,851
Statutory deposit	**75,000**	75,000
Prepaid expenses and other assets	**4,532**	549
	472,622	495,252

26.5.1 Credit quality

The credit quality of the financial assets is as follows:

Credit quality	**Credit Rating ***	**Insurance Operations**		**Shareholders operations**	
		2018	2017	**2018**	2017
		SR'000	SR'000	**SR'000**	SR'000
Cash and cash equivalents					
Satisfactory	BBB +	**66,352**	477,894	**47,791**	220,852
Short term Murabaha deposits					
Satisfactory	BBB +	**365,349**	55,000	**313,000**	163,000
Investments					
Satisfactory	BBB +	**-**	-	**-**	766
Unrated	Unrated	**3,322**	4,600	**32,299**	35,085
		3,322	4,600	**32,299**	35,851

26. RISK MANAGEMENT (continued)

* *Credit rating source: Standard and Poors*

All other financial assets are unrated.

Very strong quality: Capitalization, earnings, financial strength, liquidity, management, market reputation and repayment ability are excellent.

Strong quality: Capitalization, earnings, financial strength, liquidity, management, market reputation and repayment ability are good.

Satisfactory quality: Require regular monitoring due to financial risk factors. Ability to repay remains at a satisfactory level.

26.6 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a daily basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The table below summarizes the maturities of the Company's undiscounted contractual obligations. As the Company does not have any commission bearing liabilities, the amounts in the table match the amounts in the statement of financial position:

2018

Insurance operations' liabilities	**Less than 12 months**	**More than 12 months**	**Total**
		SR '000	
Accumulated surplus	9,657	-	9,657
Reinsurers' balances payable	5,266	-	5,266
Outstanding claims and reserves	299,854	-	299,854
Claims payable, accrued expenses and other liabilities	147,246	13,852	161,098
	462,023	13,852	475,875
Shareholders' liabilities			
Accrued expenses and other liabilities	536	-	536

26. RISK MANAGEMENT (continued)

2017	Less than 12 months	More than 12 months	Total
		SR '000	
Insurance operations' liabilities			
Accumulated surplus	8,301	-	8,301
Reinsurers' balances payable	10,287	-	10,287
Outstanding claims and reserves	449,006	-	449,006
Claims payable, accrued expenses and other liabilities	140,192	13,081	153,273
	607,786	13,081	620,867
Shareholders' liabilities			
Accrued expenses and other liabilities	536	-	536

26.7 Market price risk

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

The Company does not have available for sale quoted investments in equity instruments at 31 December 2018 accordingly the Company is not exposed to associated market price risk.

26.8 Capital management

The Company manages its capital to ensure that it is able to continue as going concern and comply with the SAMA's capital requirements while maximizing the return to stakeholders through the optimization of the debt and equity balances. The capital structure of the Company consists of equity attributable to equity holders comprising paid capital, reserves net of accumulated losses.

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

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

26.9 Regulatory framework risk

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

26. RISK MANAGEMENT (continued)

26.10 Geographical concentration of risk

The Company operates in the Kingdom of Saudi Arabia and substantially all of the insurance risk relate to policies written in the Kingdom of Saudi Arabia.

26.11 Concentration of insurance risk

The Company monitors concentration of insurance risks primarily by class of business. The major concentration lies in motor. Approximately 28.76% of the gross written premiums arise from one major customer.

The Company also monitors concentration of risk by evaluating multiple risks covered in the same geographical location. For flood or earthquake risk, a complete city is classified as a single location. For fire and property risk a particular building and neighboring buildings, which could be affected by a single claim incident, are considered as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk. The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

26.12 Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the balance sheet date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. 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 balance sheet date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the balance sheet date. The details of estimation of claim related reserves are given under note 8.

26.13 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 premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve arising as a result of the liability adequacy test) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of 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. The details of liability adequacy test are given under note 9.

27. SUPPLEMENTARY INFORMATION

Statement of Financial Position

	31 December 2018			31 December 2017		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	(SR '000)					
ASSETS						
Cash and cash equivalents	66,352	47,791	114,143	477,898	220,852	698,750
Short term Murabaha deposits	365,349	313,000	678,349	55,000	163,000	218,000
Premiums and reinsurers' receivable – net	172,366	-	172,366	114,853	-	114,853
Reinsurers' share of unearned premiums	19,190	-	19,190	16,071	-	16,071
Reinsurers' share of outstanding claims	67,855	-	67,855	107,755	-	107,755
Reinsurers' share of claims Incurred but not reported	17,878	-	17,878	7,965	-	7,965
Deferred policy acquisition costs	21,058	-	21,058	17,508	-	17,508
Deferred excess of loss premiums	1,088	-	1,088	1,205	-	1,205
Available for sale investments	3,322	32,299	35,621	4,600	35,851	40,451
Prepaid expenses and other assets	17,108	4,532	21,640	11,932	549	12,481
Property and equipment	3,834	-	3,834	5,172	-	5,172
Statutory deposit	-	75,000	75,000	-	75,000	75,000
Accrued income on statutory deposit	-	5,505	5,505	-	4,118	4,118
	755,400	478,127	1,233,527	819,959	499,370	1,319,329
Due from insurance operations	-	12,202	12,202	-	-	-
Due from shareholders' operations	-	-	-	19,822	-	19,822
TOTAL ASSETS	755,400	490,329	1,245,729	839,781	499,370	1,339,151

27. SUPPLEMENTARY INFORMATION (continued)

Statement of Financial Position (continued)

	31 December 2018			31 December 2017		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
	(SR '000)					
LIABILITIES						
Policyholders claims payable	54,313	-	54,313	40,798	-	40,798
Accrued expenses and other liabilities	92,933	536	93,469	99,394	536	99,930
Reinsurers' balances payable	5,266	-	5,266	10,287	-	10,287
Unearned premiums	267,020	-	267,020	216,401	-	216,401
Unearned reinsurance commission	4,469	-	4,469	3,993	-	3,993
Outstanding claims	35,039	-	35,039	106,001	-	106,001
Claims incurred but not reported	236,506	-	236,506	317,264	-	317,264
Additional premium reserves	15,612	-	15,612	10,514	-	10,514
Other technical reserves	12,697	-	12,697	15,227	-	15,227
Due to related parties	165	-	165	77	-	77
End-of-service indemnities	13,852	-	13,852	13,081	-	13,081
Accumulated surplus	9,657	-	9,657	8,301	-	8,301
Zakat provision	-	29,866	29,866	-	22,871	22,871
Accrued commission income payable to SAMA	-	5,505	5,505	-	4,118	4,118
	747,529	35,907	783,436	841,338	27,525	868,863
Due to insurance operations	-	-		-	19,822	19,822
Due to shareholders' operations	12,202	-	12,202	-	-	-
TOTAL LIABILITIES	759,731	35,907	795,638	841,338	47,347	888,685
SHAREHOLDERS' EQUITY						
Share capital	-	500,000	500,000	-	500,000	500,000
Statutory reserve	-	2,131	2,131	-	2,131	2,131
Accumulated losses	-	(47,478)	(47,478)	-	(50,108)	(50,108)
Unrealized gain/(loss) on available for sale investments	-	(231)	(231)	-	-	-
Re-measurement losses on defined benefit plan	(4,331)	-	(4,331)	(1,557)	-	(1,557)
TOTAL EQUITY	(4,331)	454,422	450,091	(1,557)	452,023	450,466
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	755,400	490,329	1,245,729	839,781	499,370	1,339,151

27. SUPPLEMENTARY INFORMATION (continued)

Statement of Income -

	For the year ended 31 December 2018			For the year ended 31 December 2017		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR '000					
REVENUES						
Gross written premiums	729,076	-	729,076	726,978	-	726,978
Reinsurance premiums ceded- local	(3,894)	-	(3,894)	(2,428)	-	(2,428)
Reinsurance premiums ceded- International	(65,824)	-	(65,824)	(53,639)	-	(53,639)
Excess of loss expenses	(20,508)	-	(20,508)	(19,745)	-	(19,745)
Net premiums written	638,850	-	638,850	651,166	-	651,166
Changes in unearned premiums, net	(47,500)	-	(47,500)	163,684	-	163,684
Net premiums earned	591,350	-	591,350	814,850	-	814,850
Reinsurance commissions	15,736	-	15,736	98,008	-	98,008
Other underwriting income	5,835	-	5,835	7,847	-	7,847
TOTAL REVENUES	612,921	-	612,921	920,705	-	920,705
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	606,774	-	606,774	975,630	-	975,630
Reinsurers' share of claims paid	(82,624)	-	(82,624)	(71,857)	-	(71,857)
Net claims paid	524,150	-	524,150	903,773	-	903,773
Changes in outstanding claims, net	(31,062)	-	(31,062)	(18,638)	-	(18,638)
Changes in IBNR, net	(90,671)	-	(90,671)	(126,548)	-	(126,548)
Change in additional premium reserves	5,098	-	5,098	(7,159)	-	(7,159)
Change in other reserves	(2,530)	-	(2,530)	(4,669)	-	(4,669)
Net claims incurred	404,985	-	404,985	746,759	-	746,759
Policy acquisition costs	77,336	-	77,336	98,018	-	98,018
TOTAL UNDERWRITING COSTS AND EXPENSES	482,321	-	482,321	844,777	-	844,777
NET UNDERWRITING INCOME	130,600	-	130,600	75,928	-	75,928

27. SUPPLEMENTARY INFORMATION (continued)

Statement of Income- (Continued)

	For the year ended 31 December 2018			For the year ended 31 December 2017		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR '000					
OTHER OPERATING (EXPENSES)/ INCOME						
(Allowance for) / reversal of doubtful debts	(11,532)	-	(11,532)	3,000	-	3,000
Salaries and staff related costs	(71,879)	-	(71,879)	(67,896)	-	(67,896)
Other general and administrative expenses	(42,995)	(3,035)	(46,030)	(39,809)	(7,636)	(47,445)
Investment income	10,642	9,018	19,660	7,350	1,639	8,989
Impairment loss on available for sale investments	(1,278)	(2,555)	(3,833)	(400)	(1,675)	(2,075)
Asset mis-match reserve	-	-	-	2,005	16,466	18,471
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(117,042)	3,428	(113,614)	(95,750)	8,794	(86,956)
Total income / (loss) from operations	13,558	3,428	16,986	(19,822)	8,794	(11,028)
Shareholders' appropriations	(12,202)	12,202	-	19,822	(19,822)	-
Total income attributable to insurance operations	(1,356)	-	(1,356)	-	-	-
Total income attributable to Shareholders' operations	-	15,630	15,630	-	(11,028)	(11,028)

27. SUPPLEMENTARY INFORMATION (continued)

Statement of Comprehensive Income

	For the year ended 31 December 2018			For the year ended 31 December 2017		
	Insurance operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' operations	Total
	SR '000					
Total income for the year	13,558	3,428	16,986	(19,822)	8,794	(11,028)
Other comprehensive income/(loss)						
Items that are or may be reclassified to statement of income in subsequent periods						
- Re-measurement gain / (loss) on available for sale investments	-	(231)	(231)	(346)	(308)	(654)
Items that will not be reclassified to statement of income in subsequent periods						
- Re-measurement gain / (loss) on defined benefit plan	(2,774)	-	(2,774)	197	-	197
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	10,784	3,197	13,981	(19,971)	8486	(11,485)
Appropriation to shareholders	(12,202)	12,202	-	19,822	(19,822)	-
Total comprehensive income attributable to insurance operations	(1,356)	-	(1,356)	(149)	-	(149)
Total comprehensive income / (loss) attributable to shareholders	-	12,625	12,625	-	(11,336)	(11,336)

27. SUPPLEMENTARY INFORMATION (continued)

Statement of Cash flows

	For the year ended 31 December 2018			For the year ended 31 December 2017		
	Insurance Operations	**Shareholders' operations**	**Total**	Insurance Operations	Shareholders' operations	Total
			SR '000			
Net income for the year	**1,356**	**15,630**	**16,986**	-	(11,028)	(11,028)
Adjustments for non-cash items:						
Depreciation	**2,134**	**-**	**2,134**	2,584	-	2,584
Impairment loss on available for sale investments	**1,278**	**2,555**	**3,833**	400	1,675	2,075
Loss on sale of available for sale investments	**-**	**102**	**102**	-	802	802
End-of-service indemnities provision	**2,207**	**-**	**2,207**	3,568	-	3,568
Provision / (reversal) of doubtful receivables	**11,532**	**-**	**11,532**	(3,000)	-	(3,000)
	18,507	**18,287**	**36,794**	3,552	(8,551)	(4,999)
Premiums and reinsurers' receivable	**(69,045)**	**-**	**(69,045)**	46,771	-	46,771
Reinsurers' share of unearned premiums	**(3,119)**	**-**	**(3,119)**	102,078	-	102,078
Reinsurers' share of outstanding claims and IBNR, net	**29,987**	**-**	**29,987**	48,020	-	48,020
Deferred policy acquisition costs	**(3,550)**	**-**	**(3,550)**	30,439	-	30,439
Deferred excess of loss premiums	**117**	**-**	**117**	(1,205)	-	(1,205)
Prepaid expenses and other assets	**(5,176)**	**(3,983)**	**(9,159)**	11,100	(718)	10,382
Policyholders claims payable	**13,515**	**-**	**13,515**	(85,775)	-	(85,775)
Accrued expenses and other liabilities	**(6,543)**	**-**	**(6,543)**	(99,878)	622	(99,256)
Reinsurers' balances payable	**(5,021)**	**-**	**(5,021)**	(31,780)	-	(31,780)
Unearned premiums	**50,619**	**-**	**50,619**	(265,762)	-	(265,762)
Unearned reinsurance commission	**476**	**-**	**476**	(19,621)	-	(19,621)
Gross outstanding claims	**(70,962)**	**-**	**(70,962)**	(61,779)	-	(61,779)
Claims incurred but not reported	**(80,758)**	**-**	**(80,758)**	(131,427)	-	(131,427)
Other technical reserves and additional reserves	**2,568**	**-**	**2,568**	(11,828)	-	(11,828)
Asset mismatch reserve	**-**	**-**	**-**	(2,005)	(16,466)	(18,471)
Due to related parties	**88**	**-**	**88**	22	-	22

27. SUPPLEMENTARY INFORMATION (continued)

Statement of Cash flows - (Continued)

	For the year ended 31 December 2018			For the year ended 31 December 2017		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR '000					
Due from insurance operations	-	(32,024)	(32,024)	-	(124,041)	(124,041)
Due to shareholders' operations	32,024	-	32,024	124,041	-	124,041
End-of-service indemnities paid	(4,128)	-	(4,128)	(4,244)	-	(4,244)
Zakat paid	-	(6,005)	(6,005)	-	(3,436)	(3,436)
Net cash used in operating activities	(100,401)	(23,725)	(124,126)	(349,281)	(152,590)	(501,871)
Cash flows from investing activities						
Short-term Murabaha deposits, net	(310,349)	(150,000)	(460,349)	20,000	(163,000)	(143,000)
Additions in property and equipment	(796)	-	(796)	(354)	-	(354)
Statutory deposit	-	-	-	-	(30,000)	(30,000)
Proceeds from sale of available for sale investments	-	664	664	-	34,944	34,944
Net cash used in investing activities	(311,145)	(149,336)	(460,481)	19,646	(158,056)	(138,410)
Cash flows from financing activities						
Proceeds from right shares issued	-	-	-	-	380,000	380,000
Net cash from financing activities	-	-	-	-	380,000	380,000
Net change in cash and cash equivalents	(411,546)	(173,061)	(584,607)	(329,635)	69,354	(260,281)
Cash and cash equivalents, beginning of the year	477,898	220,852	698,750	807,533	151,498	959,031
Cash and cash equivalents, end of the year	66,352	47,791	114,143	477,898	220,852	698,750
NON CASH INFORMATION:						
Reduction of share capital	-	-	-	-	180,000	180,000
Change in fair value of available for sale investments	-	(231)	(231)	(346)	(308)	(654)
Investment return on statutory deposit	-	1,387	1,387	-	672	672
Fully provided receivables written off	17,083	-	17,083	-	-	
Remeasurement loss on defined benefits obligation	2,774	-	2,774	213	-	213

28. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the board of directors on 27 Jumada II 1440 H (corresponding to 04 March 2019 G).