BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

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Building a better working world

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Independent Auditors' Report

To the Shareholders of Bupa Arabia for Cooperative Insurance Company (A Saudi Joint Stock Company)

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Independent Auditors' Report

To the Shareholders of Bupa Arabia for Cooperative Insurance Company (A Saudi Joint Stock Company) (continued)

Key Audit Matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Provisions for outstanding claims

The provision for outstanding claims includes the balances related to reported but not settled claims, incurred but not reported claims and other reserves. The process of determining the provision for outstanding claims and its related cost arising from insurance contracts is inherently complex, requiring judgement and actuarial expertise. Accordingly, this complexity arises from calculating the actuarial best estimate and the margin over best estimate using historical data which is sensitive to external inputs, such as claims cost inflation and medical trends, as well as the actuarial methodology that is applied and the assumptions on current and future events.

The Company calculates its own estimate of the provision using standardised reserving methodology for comparing against the provision calculated by the independent actuary, and considers the impact of any significant differences.

Due to the estimation uncertainty and subjectivity involved in the assessment of provisions for outstanding claims, we have considered this as a key audit matter.

Please refer to notes 3(xx) for the accounting policy adopted by the Company and note 2d(i) for the significant accounting judgements, estimates and assumptions involved in the initial recognition and subsequent measurement of claims. Also, refer note 13 for movement in outstanding claims.</td><td>Our audit procedures included the following:

• We inspected the claims reserving reports and evaluated the design and implementation of key controls over the provisioning process, including controls over completeness and accuracy of the data used for the provisions calculations. This data provides evidence over trends for outstanding claims and its related costs at the reporting date and drives the assumptions for claims in current and preceding financial years. These assumptions include historical claims experience, claims cost inflation and medical trends.

• We engaged our own actuarial specialists to evaluate and review the assumptions on current and future events used by the Company, as set out in the claims reserving reports, as well as comparing them to expectations based on the Company's historical experience, current trends and analysis. We have also reviewed the actuarial reserve report issued by the independent actuary.

• We evaluated the appropriateness of sensitivities applied by the management towards assumptions affecting the adequacy of outstanding claims at the year end.

• We also assessed the adequacy of the financial statements disclosures with respect to outstanding claims.</td></tr>
</table>

Independent Auditors' Report

To the Shareholders of Bupa Arabia for Cooperative Insurance Company (A Saudi Joint Stock Company) (continued)

Other Information

Management is responsible for the other information. Other information comprises the information included in the Company's 2018 annual report but does not include financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

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

Responsibilities of the Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as modified by SAMA for the accounting of zakat and income tax, the applicable requirements of the Companies' Law, the Company's By-laws and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing 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.

KPMG Al Fozan & Partners
Certified Public Accountants

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Independent Auditors' Report

To the Shareholders of Bupa Arabia for Cooperative Insurance Company (A Saudi Joint Stock Company) (continued)

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current 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 KPMG Al Fozan & Partners
Certified Public Accountants

Ebrahim Oboud Baeshen
Certified Public Accountant
Licence No. 382

for Ernst & Young & Co.
(Certified Public Accountants)

Ahmed I. Reda
Certified Public Accountant
Licence No. 356

Jeddah, Kingdom of Saudi Arabia
5 Rajab 1440H
Corresponding to 12 March 2019

BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	2018 SR'000	2017 SR'000
ASSETS			
Cash and cash equivalents	5	290,413	229,884
Premiums receivable – net	6	950,671	870,982
Reinsurers' share of unearned premiums	13.2	6,320	5,146
Reinsurers' share of outstanding claims	13.1	336	360
Reinsurers' share of claims incurred but not reported	13.1	2,678	670
Deferred policy acquisition costs	14	118,323	71,076
Investments	7	1,621,491	1,721,690
Prepaid expenses and other assets	8	202,985	170,528
Term deposits	9	4,715,281	3,945,383
Fixtures, furniture and equipment – net	10	81,243	93,617
Intangible assets – net	11	57,273	39,880
Goodwill	4	98,000	98,000
Statutory deposit	12	120,000	80,000
Accrued income on statutory deposit	12	6,882	5,121
TOTAL ASSETS		8,271,896	7,332,337
LIABILITIES			
Accrued and other liabilities	18	285,809	145,598
Insurance operations' surplus payable	20	139,755	138,581
Reinsurers' balances payable	25	50,636	39,613
Unearned premiums	13.2	3,428,131	3,091,079
Outstanding claims	13.1	555,158	450,249
Claims incurred but not reported	13.1	898,123	871,998
Claims handling reserve	13.1	19,400	19,289
Due to related parties	24	41,095	33,586
Provision for end-of-service benefits	21	81,395	66,469
Provision for zakat and income tax	26	199,784	148,704
Accrued income payable to SAMA	12	6,882	5,121
TOTAL LIABILITIES		5,706,168	5,010,287
EQUITY			
Share capital	27	1,200,000	800,000
Statutory reserve	28	609,111	504,025
Share based-payments	29	17,579	17,220
Shares held under employees share scheme	29	(32,662)	(28,915)
Retained earnings		811,153	1,030,887
Re-measurement reserve of defined benefit obligation	21	(8,922)	--
Investments fair value reserve – related to shareholders		(21,942)	(1,880)
TOTAL SHAREHOLDERS' EQUITY		2,574,317	2,321,337
Investments fair value reserve – related to policyholders		(8,589)	713
TOTAL EQUITY		2,565,728	2,322,050
TOTAL LIABILITIES AND EQUITY		8,271,896	7,332,337

Chairman

Director and Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 39 form an integral part of these financial statements.

BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INCOME

For the year ended 31 December 2018

	Notes	*2018 SR'000*	*2017 SR'000*
REVENUES			
Gross premiums written	13.2	**8,566,648**	7,732,961
Reinsurance premiums ceded – Local		**(9,838)**	(5,592)
Reinsurance premiums ceded – International		**(70,690)**	(62,756)
Net premiums written		**8,486,120**	7,664,613
Changes in unearned premiums		**(337,052)**	3,911
Changes in reinsurance share of unearned premiums		**1,174**	3,790
Net premiums earned	13.2	**8,150,242**	7,672,314
UNDERWRITING COSTS & EXPENSES			
Gross claims paid		**(6,708,524)**	(6,428,617)
Reinsurers' share of claims paid		**48,700**	44,218
Net claims paid		**(6,659,824)**	(6,384,399)
Changes in outstanding claims		**(104,909)**	(112,700)
Changes in claims incurred but not reported		**(26,125)**	92,786
Changes in claims handling reserves		**(111)**	--
Reinsurance share of changes in outstanding claims		**(24)**	(242)
Reinsurance share of changes in claims incurred but not reported		**2,008**	(448)
Net claims incurred		**(6,788,985)**	(6,405,003)
Policy acquisition costs		**(197,371)**	(182,066)
TOTAL UNDERWRITING COSTS & EXPENSES		**(6,986,356)**	(6,587,069)
NET UNDERWRITING RESULTS		**1,163,886**	1,085,245
OTHER OPERATING (EXPENSES)/INCOME			
Allowance for doubtful receivables		**(32,256)**	(3,718)
General and administrative expenses	31	**(433,686)**	(380,127)
Selling and marketing expenses	32	**(322,004)**	(308,226)
Investment income, net	33	**184,150**	158,241
Other income/(loss), net		**14,068**	(409)
TOTAL OTHER OPERATING (EXPENSES)/INCOME		**(589,728)**	(534,239)
NET INCOME FOR THE YEAR		**574,158**	551,006
Net income attributed to insurance operations	1	**(48,727)**	(50,392)
Net income attributed to shareholders		**525,431**	500,614
Weighted average number of ordinary outstanding shares (in thousands)		**119,614**	119,674
Basic earnings per share (Expressed in SR per Share)	35	**4.39**	4.18

Chairman

Director and Chief Executive Officer

NADER ASHOOR

Chief Financial Officer

The accompanying notes 1 to 39 form an integral part of these financial statements.

ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	2018 SR'000	2017 SR'000
Net income attributed to the shareholders	**525,431**	500,614
Other comprehensive income		
Items that will not be reclassified to statement of income in subsequent years		
Actuarial losses on defined benefit obligation	**(8,922)**	--
Items that are or may be reclassified to statement of income in subsequent years		
Net movement in fair value of available-for-sale investments:		
- related to shareholders	**(20,062)**	(1,880)
- related to policyholders	**(9,302)**	713
	(29,364)	(1,167)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**487,145**	499,447

Chairman

Director and Chief Executive Officer

NADIR ASHOOR
Chief Financial Officer

The accompanying notes 1 to 39 form an integral part of these financial statements.

BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Related to shareholders									
2018	*Share capital SR'000*	*Statutory reserve SR'000*	*Share based-payments SR'000*	*Shares held under employees share scheme SR'000*	*Retained earnings SR'000*	*Remeasurement reserve of defined benefit obligation SR'000*	*Investments fair value reserve SR'000*	*Total shareholders' equity SR'000*	*Investments fair value reserve – related to policyholders SR'000*	*Total equity SR'000*
Balance at 1 January 2018	800,000	504,025	17,220	(28,915)	1,030,887	–	(1,880)	2,321,337	713	2,322,050
Total comprehensive income for the year										
Net income for the year attributed to shareholders	–	–	–	–	525,431	–	–	525,431	–	525,431
Actuarial losses on defined benefit obligation	–	–	–	–	–	(8,922)	–	(8,922)	–	(8,922)
Changes in fair value of available-for-sale investments	–	–	–	–	–	–	(20,062)	(20,062)	(9,302)	(29,364)
Total comprehensive income for the year	–	–	–	–	525,431	(8,922)	(20,062)	496,447	(9,302)	487,145
Transfer to statutory reserves	–	105,086	–	–	(105,086)	–	–	–	–	–
Share based payment transactions	–	–	8,106	–	–	–	–	8,106	–	8,106
Delivery of shares under LTIP	–	–	(7,747)	7,747	–	–	–	–	–	–
Purchase of shares under LTIP	–	–	–	(11,494)	–	–	–	(11,494)	–	(11,494)
Issue of bonus shares (note 27)	400,000	–	–	–	(400,000)	–	–	–	–	–
Dividends paid (note 34)	–	–	–	–	(160,000)	–	–	(160,000)	–	(160,000)
Zakat and income tax charge	–	–	–	–	(89,199)	–	–	(89,199)	–	(89,199)
Income tax recovered from non-Saudi shareholders	–	–	–	–	9,120	–	–	9,120	–	9,120
Balance at 31 December 2018	1,200,000	609,111	17,579	(32,662)	811,153	(8,922)	(21,942)	2,574,317	(8,589)	2,565,728

Chairman

Director and Chief Executive Officer

NADEEF ASHOOR

Chief Financial Officer

The accompanying notes from 1 to 39 an integral part of these financial statements.

BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended 31 December 2018

2017	Share capital SR'000	Statutory reserve SR'000	Share based-payments SR'000	Shares held under employees share scheme SR'000	Retained earnings SR'000	Investments fair value reserve SR'000	Total shareholders' equity SR'000	Investments fair value reserve – related to policyholders SR'000	Total equity SR'000
	Related to shareholders								
Balance at 1 January 2017	800,000	403,902	16,931	(23,404)	829,625	--	2,027,054	--	2,027,054
Total comprehensive income for the year									
Net income for the year attributed to shareholders	--	--	--	--	500,614	--	500,614	--	500,614
Changes in fair value of available-for-sale investments	--	--	--	--	--	(1,880)	(1,880)	713	(1,167)
Total comprehensive income for the year	--	--	--	--	500,614	(1,880)	498,734	713	499,447
Transfer to statutory reserves	--	100,123	--	--	(100,123)	--	--	--	--
Share based payment transactions	--	--	5,837	--	--	--	5,837	--	5,837
Delivery of shares under LTIP	--	--	(5,548)	5,548	--	--	--	--	--
Purchase of shares under LTIP	--	--	--	(11,059)	--	--	(11,059)	--	(11,059)
Dividends paid (note 34)	--	--	--	--	(120,000)	--	(120,000)	--	(120,000)
Zakat and income tax charge	--	--	--	--	(79,229)	--	(79,229)	--	(79,229)
Balance at 31 December 2017	800,000	504,025	17,220	(28,915)	1,030,887	(1,880)	2,321,337	713	2,322,050

Chairman

Chief Financial Officer

Director and Chief Executive Officer

The accompanying notes from 1 to 39 an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	Notes	*2018 SR'000*	*2017 SR'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income attributed to the shareholders		525,431	500,614
Adjustments for non-cash items:			
Net income attributed to the insurance operations	20	48,727	50,392
Depreciation of fixtures, furniture and equipment		13,499	11,078
Amortization of intangible assets		8,072	5,749
Share based-payments expense		8,106	5,837
Allowance for doubtful receivables		32,256	3,718
Unrealized gains on investments held as FVSI		(6,966)	(12,296)
Realized gains on investments		(10,202)	(11,816)
Provision for end-of-service benefits		16,226	12,673
Loss on disposal of fixture, furniture and equipment		272	433
Changes in operating assets and liabilities:			
Premiums receivable		(111,945)	105,843
Reinsurers' share of unearned premiums		(1,174)	(3,790)
Reinsurers' share of outstanding claims		24	242
Reinsurers' share of claims Incurred but not reported		(2,008)	448
Deferred policy acquisition costs		(47,247)	1,205
Prepaid expenses and other assets		(32,457)	(21,537)
Accrued and other liabilities		140,211	(28,518)
Reinsurers' balances payable		11,023	24,496
Unearned premiums		337,052	(3,911)
Outstanding claims		104,909	112,700
Claims incurred but not reported		26,125	(92,786)
Claims handling reserve		111	--
Due to related parties		7,509	9,242
		1,067,554	670,016
End-of-service benefits paid		(10,222)	(5,520)
Surplus paid to policyholders	20	(47,553)	(81,695)
Zakat and income tax paid		(38,119)	(47,478)
Net cash generated from operating activities		971,660	535,323
CASH FLOWS FROM INVESTING ACTIVITIES			
Placement in term deposits	9	(5,324,758)	(3,945,383)
Proceeds from maturity of term deposits	9	4,554,860	4,045,310
Additions to investments	7	(1,828,024)	(2,421,572)
Disposals of investments		1,916,027	1,981,247
Additions to fixtures, furniture and equipment		(5,820)	(31,557)
Proceeds from disposal of fixture, furniture and equipment		7	8
Intangible assets acquired		(21,049)	(28,263)
Increase in statutory deposit		(40,000)	--
Purchase of shares under LTIP – net		(11,494)	(11,059)
Net cash used in investing activities		(760,251)	(411,269)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	34	(160,000)	(120,000)
Income tax recovered from non-Saudi shareholders		9,120	--
Net cash used in financing activities		(150,880)	(120,000)
Net change in cash and cash equivalents		60,529	4,054
Cash and cash equivalents at beginning of the year		229,884	225,830
Cash and cash equivalents at end of the year		290,413	229,884
Non-cash transactions			
Unrealised losses on available for sale investments		(29,364)	(1,167)
Zakat and income tax debited to retained earnings		89,199	79,229
Actuarial loss on defined benefit obligation		(8,922)	--
Transfer of fixtures, furniture and equipment to intangible assets		4,416	--

Chairman

Director and Chief Executive Officer

Chief Financial Officer

The accompanying notes from 1 to 39 an integral part of these financial statements.

1. ORGANIZATION AND PRINCIPLE ACTIVITIES

Bupa Arabia for Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Investment's Resolution number 138/K dated 24 Rabi Thani 1429H (corresponding to 1 May 2008). The Commercial Registration number of the Company is 4030178881 dated 5 Jumad Awwal 1429H (corresponding to 11 May 2008). The Registered Office of the Company is situated at:

Al-Khalediyah District,
Prince Saud Al Faisal Street,
Front of Saudi Airlines Cargo Building,
P.O. Box 23807, Jeddah 21436,
Kingdom of Saudi Arabia.

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. M/74 dated 29 Shabaan 1428H (corresponding to 11 September 2007) pursuant to the Council of Ministers' Resolution No 279 dated 28 Shabaan 1428H (corresponding to 10 September 2007).

The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia in accordance with its articles of association, and applicable regulations in the Kingdom of Saudi Arabia. The Company underwrites medical insurance only.

The Board of Directors approves the distribution of the surplus from insurance operations in accordance with the Implementing Regulations issued by the Saudi Arabian Monetary Authority ("SAMA"), whereby the shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policyholders are to receive the remaining 10%. Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

2. BASIS OF PREPARATION

(a) Basis of presentation and measurement

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

The financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of investments held at fair value through statement of income (FVSI), available for sale investments and measurement reserve of defined benefit obligation**.** The Company's statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as non-current: available-for-sale investments, fixtures, furniture and equipment, intangible assets, goodwill, statutory deposit, accrued income on statutory deposit, provision for end-of-service benefits and accrued income payable to SAMA. All other financial statement line items would generally be classified as current unless, stated otherwise.

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

2. BASIS OF PREPARATION (continued)

(a) Basis of presentation and measurement (continued)

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

In preparing these financial statements comparative amounts are also combined to conform to the current year presentation in line with SAMA requirements, which has no impact on the previously reported net profit and retained earnings. However, note 37 to these financial statements provides the statement of financial position, statements of income, comprehensive income and cash flows of insurance and shareholders operations, separately.

(b) Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals (SR), which is the Company's functional currency. All financial information presented in SR has been rounded off to the nearest thousand except where otherwise indicated.

(c) Fiscal year

The Company follows a fiscal year ending on 31 December.

(d) Critical accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenue, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future years. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following are the accounting judgments and estimates that are critical in the preparation of these financial statements:

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

Judgment by management is required in the estimation of amounts due to medical providers and third parties arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Company estimates its claims based on its previous experience of its insurance portfolio. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. Claims requiring court or arbitration decisions, if any, are estimated individually. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a monthly basis. Any difference between the provisions at the statement of financial position date and settlements and provisions in the following year is included in the statement of income for that year. The provision for outstanding claims, as at 31 December, is also verified by an independent actuary.

A range of methods such as the Chain Ladder Method, the Bornhuetter-Ferguson Method and the Expected Loss Ratio Method are used by the actuaries to determine these provisions. Also the Actuaries have used a segmentation approach which includes analyzing the costs per member per year for the medical line of business. Underlying these methods are also a number of explicit or implicit assumptions relating to the expected settlement amount and the settlement patterns of the claims.

2. BASIS OF PREPARATION (continued)

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

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

Estimation of premium deficiency for medical insurance is highly sensitive to a number of assumptions as to the future events and conditions. It is based on an expected loss ratio for the unexpired portion of the risks for written policies. To arrive at the estimate of the expected loss ratio, the company's actuarial team, and also the independent actuary, consider the claims and premiums relationship which is expected to apply on month to month basis, and ascertain, at the end of the financial period, whether a premium deficiency reserve is required.

ii) Impairment of receivables

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

iii) Deferred acquisition costs

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

iv) Useful lives of fixtures, furniture and equipment

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

v) Fair value of financial instruments

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

vi) Impairment of available-for-sale investments

The Company exercises judgment to consider impairment on the available for sale investments at each reporting date. This includes determination of a significant or prolonged decline in the fair value of equity securities below cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share prices. In addition, the Company considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational & financing cash flows.

The Company considers 30% or more, as a reasonable measure for significant decline below its cost, irrespective of the duration of the decline, which is recognized in the statement of income as impairment charge on investments. Prolonged decline represents a decline below cost that persists for 1 year or longer irrespective of the amount and is recognised in the statement of income accordingly as an impairment charge on investments. The previously recognized impairment loss in respect of equity investments cannot be reversed through the statement of income. The Company reviews its debt securities classified as available for sale at each reporting date to assess whether they are impaired.

2. BASIS OF PREPARATION (continued)

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

vii) Going concern

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

viii) Impairment of Goodwill

Goodwill is initially measured at cost being the excess of the net fair value of the identifiable assets and liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment for goodwill is determined by assessing the recoverable amount of the cash generating unit (or a group of cash generating units) to which the goodwill is related. When the recoverable amount of the cash-generating unit (or a group of cash generating units) is less than the carrying amount of the cash generating unit (or a group of cash generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The recoverable amount is the greater of its value in use or fair value less cost to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

The following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB) have been effective from 1 January 2018 and accordingly adopted by the Company, as applicable:

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective

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

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

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

- All financial assets will be measured at either amortised cost or fair value. The basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. The standard retains most of IAS 39's requirements for financial liabilities except for those designated at fair value through statement of income whereby that part of the fair value changes attributable to own credit is to be recognised in other comprehensive income instead of the statement of income;
- IFRS 9 requires entities to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through statement of income as well as finance lease receivables, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. Under IFRS 9, credit losses are recognised earlier than under IAS 39;
- The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle-based approach.

In September 2016, the IASB published amendments to IFRS 4 Insurance Contracts that address the accounting consequences of the application of IFRS 9 to insurers prior to the publication of the forthcoming accounting standard for insurance contracts. The amendments introduce two options for insurers: the deferral approach and the overlay approach. The deferral approach provides an entity, if eligible, with a temporary exemption from applying IFRS 9 until the earlier of the effective date of a new insurance contract standard or 2022. The overlay approach allows an entity to remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contracts standard is applied.

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

The impact of IFRS 9 adoption the Company's financial statements will, to a large extent, have to take into account the interaction with the forthcoming insurance contracts standard. As such, it is not possible to fully assess the effect of the adoption of the IFRS 9 adoption.

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

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.

The Company is currently in the phase of assessing the impact of the above standards.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The significant accounting policies used in preparing these financial statements are set out below:

i) Financial instruments – initial recognition and subsequent measurement

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, premiums receivable, reinsurance share of outstanding claims, reinsurance share of incurred but not reported claims, investments, term deposits, statutory deposit and other receivables. Financial liabilities consist of insurance operations surplus payable, reinsurance balances payable, outstanding claims, claims incurred but not reported, claims handling reserve, amounts due to related parties, provision for end-of-service benefits, zakat and income tax and certain other liabilities.

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

Measurement of financial instruments
All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through statement of income, any directly attributable incremental costs of acquisition or issue. The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. Subsequent to initial measurement, financial instruments are carried at amortised cost except for FVSI and AFS investments which are carried at fair value.

ii) Cash and cash equivalents

Cash and cash equivalents consist of bank balances and term deposits that have original maturity periods not exceeding three months from the date of acquisition.

iii) Premiums receivable

Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. An allowance for uncollectible amount is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms. Bad debts are written off as incurred. Subsequent recoveries of amounts previously written off are credited in the statement of income.

iv) Policy acquisition costs

Commission to sales staff and incremental direct costs incurred in relation to the acquisition and renewal of insurance contracts are deferred. The deferred acquisition costs are subsequently amortised over the terms of the insurance contract as premiums are earned and reported 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. If the assumptions relating to future profitability of these policies are not realised, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of income. Deferred policy acquisition costs are also considered in the liability adequacy test for each reporting year.

v) Investments

(a) Financial assets at fair value through statement of income
Investments are classified as at fair value through statement of income if they are classified as held-for-trading or are designated as such on initial recognition. Directly attributable transaction costs are recognised in the statement of income as incurred. Subsequently, such investments are re-measured at fair value, with all changes in fair value being recorded in the statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

iv) Investments (continued)

(b) Available for sale investments

Available for sale investments are non-derivative investments that are designated as available for sale or not classified as another category of financial assets, and are intended to be held for an unspecified period of time, which may be sold in response to needs for liquidity or changes in special commission rates, exchange rates or equity prices.

Investments which are classified as available for sale are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at fair value except for unquoted equity securities where fair value cannot be reliably measured are carried at cost. Any unrealised gains or losses arising from changes in fair value are recognized through the statement of comprehensive income until the investments are derecognized or impaired whereupon any cumulative gains or losses previously recognized in equity are reclassified to statement of income for the period and are disclosed as gains/(losses) on non-trading investments.

v) Term deposits

Term deposits, with original maturity of more than three months, are initially recognized in the statement of financial position at fair value and are subsequently measured at amortised cost using the effective interest method, less any impairment in value.

vi) Fixtures, furniture and equipment

Furniture, fixtures and equipment are initially recorded in the statement of financial position at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets. The estimated useful lives of the assets for the calculation of depreciation are as follows:

	Years
Leasehold Improvements (civil, construction work and fixtures)	15 years or lease term
Furniture, fixtures and office equipment	5 to 20
Computer	2.5 to 7
Motor vehicles	4

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

Expenditure for repairs and maintenance is charged to the statement of income. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. Gain / loss on sale of fixtures, furniture and equipment is included in statement of income.

vii) Intangible assets

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

	Years
IT development and software	3 to 7

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

viii) Goodwill

Goodwill is initially measured at excess of the fair value of the consideration paid over the fair value of the identifiable assets and liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment for goodwill is determined by assessing the recoverable amount of the cash generating unit (or a group of cash generating units) to which the goodwill is related. When the recoverable amount of the cash-generating unit (or a group of cash generating units) is less than the carrying amount of the cash generating unit (or a group of cash generating units) to which goodwill has been allocated, an impairment loss is recognised in the statement of income. Impairment losses relating to goodwill cannot be reversed in future periods.

ix) Liability adequacy test

At each reporting date the Company assesses annually whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of income and an unexpired risk provision is created.

x) Accounts payable and accruals

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

xi) Provisions

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

xii) Employee-end-of-service benefits

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

xiii) Share based payment

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. Grant date is date at which the entity and an employee agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity as a reserve for a share based payment, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The statement of income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

In cases where an award is forfeited (i.e. when the vesting conditions relating to an award are not satisfied), the Company reverses the expense relating to such awards previously recognized in the statement of income.

Where an equity-settled award is cancelled (other than forfeiture), it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

xiv) Shares held under employee share scheme

The Company purchases shares held under employee share scheme to hedge itself against adverse changes in fair value of its shares between the grant date and the date on which these shares are transferred to employees. When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as shares held under employee share scheme and are presented in the statement of changes in equity.

xv) Impairment of financial assets

The Company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. If such evidence exists, an impairment loss is recognised in the statement of income. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing a significant financial difficulty, default or delinquency in repayments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Impairment is determined as follows:

(a) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
(b) For assets carried at amortised cost, impairment is the difference between the carrying amount and the present value of future cash flows discounted at the original effective commission rate.

xvi) Impairment of non-financial assets

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

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

Impairment losses of continuing operations are recognised in the statement of income.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

xvii) De-recognition

Financial asset
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised 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.

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

Financial liability
A financial liability is derecognised when the obligation under the liability is discharged , cancelled or expired.

xviii) Revenue recognition

Premiums earned
The Company only issues short-term insurance contracts for providing health care services ('medical insurance') in Saudi Arabia. Premiums are taken to income over the terms of the policies to which they relate on a pro-rata basis based on 365th method. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premiums is taken to the statement of income.

Investment and commission income
Investment income or loss comprises of unrealised and realised gains and losses on investments. Commission income on term deposits is recognised using the effective interest method in the statement of income.

xix) Reinsurance premiums

Reinsurance premiums ceded are recognised as an expense when payable. Reinsurance premiums are charged to income over the terms of the policies to which they relate on a pro-rata basis.

xx) Claims

Claims, comprising amounts payable to medical providers and other third parties are charged to income as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Company and those not reported at each reporting date.

The Company estimates its claims based on previous experience. In addition, a provision based on the management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported at each reporting date. Any difference between the provisions at the statement of financial position date & settlements and provisions for the following year is included in the underwriting account for that year.

The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

xxi) Insurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

xxii) Reinsurance contracts held

In order to minimise financial exposure from large claims, the Company enters into reinsurance agreements with internationally reputable reinsurers. Claims receivable from reinsurers are estimated in a manner consistent with the claim liability and in accordance with the reinsurance contracts. These amounts, if any, are shown as “Reinsurers’ share of outstanding claims” in the statement of financial position until the claim is agreed and paid by the Company. Once the claim is paid, the amount due from the reinsurers in connection with the paid claim is transferred to amounts due from / (to) reinsurers.

At each 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.

xxiii) Expenses

Selling and marketing expenses are those which specifically relate to salesmen, sales promotion, advertisements, regulatory levies, trade mark fees and fulfillment costs. All other expenses are classified as general and administration expenses.

xxiv) Segment reporting

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); and
- whose operating results are regularly reviewed by the entity’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

xxv) Leases

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

xxvi) Foreign currencies

The accounting records of the Company are maintained in Saudi Riyals. Transactions in foreign currencies are recorded in Saudi Riyals at the approximate rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate at the reporting date. All differences are taken to the statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

xxvii) Offsetting

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

xxviii) Cash dividend to shareholders

The Company recognises a liability to make cash distributions to shareholders of the Company when the distribution is authorised and is no longer at the discretion of the Company. A distribution is authorised when it is approved by the shareholders and SAMA. A corresponding amount is recognised directly in equity.

xxix) Zakat and income tax

Under Saudi Arabian Zakat and Income Tax laws, zakat and income tax are the liabilities of the Saudi and foreign shareholders, respectively. Zakat is computed on the Saudi shareholders' share of equity and / or net income using the basis defined under the zakat regulations. Income tax is computed on the foreign shareholders' share of net income for the year. The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

Zakat and income tax are charged to retained earnings as these are liabilities of the shareholders. Income tax charged to retained earnings, in excess to the proportion of the Saudi Shareholders' zakat per share, is recovered from the foreign shareholders and credited to retained earnings.

No adjustments are made in the financial statements to account for the effect of deferred income taxes since zakat and income tax are the liabilities of the shareholders in the Kingdom of Saudi Arabia.

xxx) Statutory reserve

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

4. GOODWILL

On 31 December 2008, the Company entered into an agreement with Bupa Middle East Limited E.C. (the "Seller"), a related party, pursuant to which it acquired the Seller's insurance operations in the Kingdom of Saudi Arabia, effective from 1 January 2009. The acquisition transaction was approved by SAMA and resulted in goodwill of SR 98 million. The entire amount was paid in the previous years, to the Seller, after obtaining the required regulatory approvals.

In accordance with the requirements of International Financial Reporting Standards, the Company's management annually carry out an annual impairment test in respect of the above mentioned goodwill. Management conducted the impairment exercise for the year ended 31 December 2018. The recoverable amount of operations has been determined based on value in use. The two key assumptions used in the test are the discount rate and estimated future cash flows from the business as follows:

- An average discount rate of 12% was used to discount future cash flows.
- EBTIDA growth rate of 11.6% was used for the first three years. Thereafter, a growth rate of 3% was used in the terminal value calculation.
- A change in discount rate by 300 basis point with other variables held constant would not result in impairment of goodwill.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	2018		
	Insurance operations	***Shareholders' operations***	***Total***
		SR'000	
Bank balances	**272,527**	**17,886**	**290,413**

	2017		
	Insurance operations	*Shareholders' operations*	*Total*
		SR'000	
Bank balances	110,384	119,500	229,884

The amount payable to/receivable from shareholders' operations is settled by transfer of cash at each reporting date. During the year ended 31 December 2018, the insurance operations transferred cash of SR 99 million to shareholders' operations (31 December 2017: SR 420.5 million).

6. PREMIUMS RECEIVABLE - NET

Receivables comprise of amounts due from the following:

	2018 ***SR'000***	*2017* *SR'000*
Policyholders	**755,292**	732,557
Brokers	**364,610**	280,873
Related parties (note 24)	**--**	226
	1,119,902	1,013,656
Provision for doubtful receivables	**(169,231)**	(142,674)
Premiums receivable – net	**950,671**	870,982

Movement in provision for doubtful debts during the year was as follows:

	2018 ***SR'000***	*2017* *SR'000*
Balance at the beginning of the year	**142,674**	142,997
Provision made during the year	**32,256**	3,718
Utilised during the year	**(5,699)**	(4,041)
Balance at end of the year	**169,231**	142,674

6. PREMIUMS RECEIVABLE – NET (continued)

The gross amount of impaired receivables amounted to SR 482,706 thousand (31 December 2017: SR 402,333 thousand). The aging analysis of premiums receivable - net arising from insurance contracts is as follows:

	2018					
		Past due but not impaired	***Past due and impaired***			***Total***
	Neither past due nor impaired	***Up to three months***	***Above three and up to six months***	***Above six and up to twelve months***	***Above twelve months***	
	SR'000					
Policyholders	**319,248**	**95,923**	**100,946**	**84,753**	**22,391**	**623,261**
Brokers	**170,727**	**51,298**	**61,279**	**39,732**	**4,374**	**327,410**
	489,975	**147,221**	**162,225**	**124,485**	**26,765**	**950,671**

	2017					
		Past due but not impaired	*Past due and impaired*			*Total*
	Neither past due nor impaired	*Up to three months*	*Above three and up to six months*	*Above six and up to twelve months*	*Above twelve months*	
	SR'000					
Policyholders	354,485	102,409	92,056	55,889	14,544	619,383
Brokers	119,640	34,563	56,367	37,508	3,295	251,373
Related parties	226	--	--	--	--	226
	474,351	136,972	148,423	93,397	17,839	870,982

Unimpaired receivables are estimated, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables.

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

The five largest customers account for 6.4% (31 December 2017: 10.4%) of the premiums receivable as at 31 December 2018.

7. INVESTMENTS

Investments are classified as follows:

	2018			*2017*		
	Insurance operations	***Shareholders' operations***	***Total***	*Insurance operations*	*Shareholders' operations*	*Total*
			SR'000			
Held as FVSI	**249,284**	**131,110**	**380,394**	411,441	495,966	907,407
Available-for-sale	**560,891**	**680,206**	**1,241,097**	409,335	404,948	814,283
	810,175	**811,316**	**1,621,491**	820,776	900,914	1,721,690

(i) Investments held as FVSI comprise of the following:

	2018				
	Insurance operations		***Shareholders' operations***		
	Domestic	***International***	***Domestic***	***International***	***Total***
			SR'000		
Sukuks	**32,025**	**--**	**95,079**	**--**	**127,104**
Funds	**217,259**	**--**	**36,031**	**--**	**253,290**
	249,284	**--**	**131,110**	**--**	**380,394**

	2017				
	Insurance operations		*Shareholders' operations*		
	Domestic	*International*	*Domestic*	*International*	*Total*
			SR'000		
Sukuks	32,025	--	95,079	--	127,104
Funds	379,416	--	299,987	--	679,403
Investments in discretionary portfolios	--	--	100,900	--	100,900
	411,441	--	495,966	--	907,407

(ii) Available-for-sale investments comprise of the following:

	2018				
	Insurance operations		***Shareholders' operations***		
	Domestic	***International***	***Domestic***	***International***	***Total***
			SR'000		
Sukuks	**241,784**	**281,828**	**280,697**	**186,924**	**991,233**
Funds	**--**	**37,279**	**109,247**	**10,536**	**157,062**
Investments in discretionary portfolios	**--**	**--**	**92,802**	**--**	**92,802**
	241,784	**319,107**	**482,746**	**197,460**	**1,241,097**

7. INVESTMENTS (continued)

	2017				
	Insurance operations		*Shareholders' operations*		
	Domestic	*International*	*Domestic*	*International*	*Total*
			SR'000		
Sukuks	152,862	218,972	243,690	145,037	760,561
Funds	--	37,501	--	16,221	53,722
	152,862	256,473	243,690	161,258	814,283

The movements in the investments balance are as follows:

	2018		
	Insurance operations	***Shareholders' operations***	***Total***
		SAR'000	
Balance at the beginning of the year	**820,776**	**900,914**	**1,721,690**
Purchases during the year	**1,033,480**	**794,544**	**1,828,024**
Disposals during the year	**(1,040,322)**	**(865,503)**	**(1,905,825)**
Unrealised losses during the year, net	**(3,759)**	**(18,639)**	**(22,398)**
	810,175	**811,316**	**1,621,491**

	2017		
	Insurance operations	*Shareholders' operations*	*Total*
		SAR'000	
Balance at the beginning of the year	544,090	714,330	1,258,420
Purchases during the year	958,724	1,462,848	2,421,572
Disposals during the year	(687,758)	(1,281,673)	(1,969,431)
Unrealised gains during the year, net	5,720	5,409	11,129
	820,776	900,914	1,721,690

8. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets comprise of the following:

	2018			*2017*		
	Insurance operations	***Shareholders' operations***	***Total***	*Insurance operations*	*Shareholders' operations*	*Total*
			SR'000			
Prepayments	**51,251**	**--**	**51,251**	37,993	--	37,993
Accrued income	**45,949**	**34,119**	**80,068**	60,466	12,993	73,459
Restricted deposits	**26,346**	**--**	**26,346**	32,683	--	32,683
Other receivables	**45,320**	**--**	**45,320**	26,393	--	26,393
	168,866	**34,119**	**202,985**	157,535	12,993	170,528

9. TERM DEPOSITS

Term deposits are held with reputable commercial banks and financial institutions. These deposits are predominately in Murabaha structures with a small allocation in Mudaraba structures. They are mostly denominated in Saudi Arabian Riyals, have an original maturity of more than three months, and yield financial income at rates ranging from 2.27% to 4.00% per annum (2017: 2.15% to 4.10% per annum). The movements in term deposits during the year ended 31 December 2018 and year ended 31 December 2017, respectively are as follows:

	2018		
	Insurance operations	***Shareholders' operations***	***Total***
		SR'000	
Balance at beginning of the year	**2,912,577**	**1,032,806**	**3,945,383**
Matured during the year	**(3,724,883)**	**(829,977)**	**(4,554,860)**
Placed during the year	**3,846,049**	**1,478,709**	**5,324,758**
	3,033,743	**1,681,538**	**4,715,281**

	2017		
	Insurance operations	*Shareholders' operations*	*Total*
		SR'000	
Balance at beginning of the year	3,057,816	987,494	4,045,310
Matured during the year	(3,057,816)	(987,494)	(4,045,310)
Placed during the year	2,912,577	1,032,806	3,945,383
	2,912,577	1,032,806	3,945,383

10. FIXTURES, FURNITURE AND EQUIPMENT

	Office, furniture, and fixtures	***Computer equipment***	***Motor vehicles***	***Leasehold improvements***	***Capital work in progress***	***Total***
				SR'000		
Cost:						
At 1 January 2017	73,362	36,357	212	--	26,659	136,590
Additions during the year	1,648	1,274	--	--	28,635	31,557
Disposals during the year	(573)	--	--	--	--	(573)
Transferred during the year	1,340	30	--	--	(1,370)	--
At 1 January 2018	**75,777**	**37,661**	**212**	**--**	**53,924**	**167,574**
Additions during the year	**1,161**	**1,469**	**--**	**56**	**3,134**	**5,820**
Disposal during the year	**(1,020)**	**(2,182)**	**(212)**	**--**	**--**	**(3,414)**
Transferred during the year	**9,442**	**1,601**	**--**	**38,515**	**(53,974)**	**(4,416)**
At 31 December 2018	**85,360**	**38,549**	**--**	**38,571**	**3,084**	**165,564**
Accumulated depreciation:						
At 1 January 2017	37,669	25,130	212	--	--	63,011
Charge for the year	6,477	4,601	--	--	--	11,078
Disposals during the year	(132)	--	--			(132)
At 1 January 2018	**44,014**	**29,731**	**212**	**--**	**--**	**73,957**
Charge for the year	**6,474**	**5,309**	**--**	**1,716**	**--**	**13,499**
Disposal during the year	**(749)**	**(2,174)**	**(212)**	**--**	**--**	**(3,135)**
At 31 December 2018	**49,739**	**32,866**	**--**	**1,716**	**--**	**84,321**
Net book value:						
At 31 December 2018	**35,621**	**5,683**	**--**	**36,855**	**3,084**	**81,243**
At 31 December 2017	31,763	7,930	--	--	53,924	93,617

11. INTANGIBLE ASSETS

	Software	*Capital work in progress**	*Total*
		SR'000	
Cost:			
At 1 January 2017	57,571	8,969	66,540
Additions during the year	8,651	19,612	28,263
Disposals/transfers during the year	10,289	(10,289)	--
At 1 January 2018	**76,511**	**18,292**	**94,803**
Additions during the year	**6,072**	**14,977**	**21,049**
Disposal during the year	**(238)**	**--**	**(238)**
Transfers during the year	**1,102**	**3,314**	**4,416**
At 31 December 2018	**83,447**	**36,583**	**120,030**
Accumulated amortization:			
At 1 January 2017	49,174	--	49,174
Charge for the year	5,749	--	5,749
At 1 January 2018	**54,923**	**--**	**54,923**
Charge for the year	**8,072**	**--**	**8,072**
Disposal during the year	**(238)**	**--**	**(238)**
At 31 December 2018	**62,757**	**--**	**62,757**
Net book value:			
At 31 December 2018	**20,690**	**36,583**	**57,273**
At 31 December 2017	21,588	18,292	39,880

*The capital work in progress relates to software under development.

12. STATUTORY DEPOSIT

As required by SAMA Insurance Regulations, the Company deposited an amount equivalent to 10% of its paid-up share capital, amounting to SR 120 million (2017: SR 80 million), in a bank designated by SAMA. Accrued income on this deposit is payable to SAMA amounting to SR 6.9 million (2017: SR 5.1 million) and this deposit cannot be withdrawn without approval from SAMA.

13. TECHNICAL RESERVES

13.1 Net outstanding claims and reserves

	2018	*2017*
	SR'000	*SR'000*
Claims outstanding reserves	**555,158**	450,249
Claims incurred but not reported	**898,123**	871,998
Claims handling reserve	**19,400**	19,289
	1,472,681	1,341,536
Less:		
Reinsurers' share of outstanding claims	**(336)**	(360)
Reinsurers' share of claims incurred but not reported	**(2,678)**	(670)
	(3,014)	(1,030)
Net outstanding claims reserve	**1,469,667**	1,340,506

13. TECHNICAL RESERVES (continued)

13.2 Movement in unearned premiums

Movements in unearned premiums are as follows:

		2018	
	Gross	***Reinsurance***	***Net***
		SR'000	
Balance at beginning of the year	**3,091,079**	**(5,146)**	**3,085,933**
Premium written/(ceded) during the year	**8,566,648**	**(80,528)**	**8,486,120**
Premium earned during the year	**(8,229,596)**	**79,354**	**(8,150,242)**
	3,428,131	**(6,320)**	**3,421,811**

		2017	
	Gross	*Reinsurance*	*Net*
		SR'000	
Balance at beginning of the year	3,094,990	(1,356)	3,093,634
Premium written/(ceded) during the year	7,732,961	(68,348)	7,664,613
Premium earned during the year	(7,736,872)	64,558	(7,672,314)
	3,091,079	(5,146)	3,085,933

14. DEFERRED POLICY ACQUISITION COSTS

	2018 ***SR'000***	*2017* *SR'000*
Balance at beginning of the year	**71,076**	72,281
Paid and accrued during the year	**226,842**	150,436
Amortisation for the year	**(179,595)**	(151,641)
	118,323	71,076

15. CLAIMS DEVELOPMENT TABLE

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

Treatment year – gross outstanding claims	**2015**	**2016**	**2017**	**2018**	**Total**
SR '000					
Estimate of ultimate claims cost:					
At the end of treatment year	5,399,170	6,319,929	6,577,919	6,949,081	
One year later	5,275,355	6,210,269	6,572,947	--	
Two years later	5,275,980	6,212,870	--	--	
Three years later	5,271,081	--	--	--	
Current estimate of ultimate claims	5,271,081	6,212,870	6,572,947	6,949,081	25,005,979
Ultimate payments to date	(5,270,587)	(6,209,074)	(6,527,788)	(5,545,249)	(23,552,698)
Liability recognised in the statement of financial position	494	3,796	45,159	1,403,832	1,453,281
Claims handling provision					19,400
Balance at 31 December					1,472,681

Treatment year – net outstanding claims					
SR '000					
Estimate of ultimate claims cost:					
At the end of treatment year	5,348,275	6,318,209	6,576,889	6,946,067	
One year later	5,275,355	6,210,269	6,572,947	--	
Two years later	5,275,980	6,212,870	--	--	
Three years later	5,271,081	--	--	--	
Current estimate of ultimate claims	5,271,081	6,212,870	6,572,947	6,946,067	25,002,965
Ultimate payments to date	(5,270,587)	(6,209,074)	(6,527,788)	(5,545,249)	(23,552,698)
Liability recognised in the statement of financial position	494	3,796	45,159	1,400,818	1,450,267
Claims handling provision					19,400
Balance at 31 December					1,469,667

16. FIDUCIARY ASSETS

During the year ended 31 December 2018, after having SAMA's approval, the Company entered into a Third Party Administration agreement (TPA) with a customer under which the Company facilitates healthcare services to the employees of the customer with specific terms and conditions. The agreement is effective from 1 March 2018. The services are remunerated against administration fees.

In order to fulfil the commitment relating to this agreement, the Company has received funds in advance from the customer to settle anticipated claims from medical service providers. As the Company acts as an agent, the relevant bank balance and outstanding claims at the reporting date are offset in the statement of financial position. The assets and liabilities held in fiduciary capacity amounted to SR 194.8 million as of 31 December 2018 (2017: nil).

17. COMMITMENTS AND CONTINGENCIES

The Company's commitments and contingencies are as follows:

	2018	*2017*
	SR'000	*SR'000*
Letters of guarantee	**26,346**	32,682
Operating commitments	**150,363**	169,764
	176,709	202,446

i) The Company is subject to legal proceedings in the ordinary course of business. There was no material change in the status of legal proceedings from 31 December 2017.

ii) As of 31 December 2018, total Letters of Guarantee issued by banks amounted to SR 94.7 million, of which SR 26.37 million (2017: SR 32.68 million) are issued against restricted deposits with banks and have been recorded under prepayments and other assets.

18. ACCRUED AND OTHER LIABILITIES

Accrued and other liabilities comprise of the following:

	2018			*2017*		
	Insurance operations	***Shareholders' operations***	***Total***	*Insurance operations*	*Shareholders' operations*	*Total*
			SR'000			
Accrued expenses	**130,075**	**4,784**	**134,859**	79,390	7,614	87,004
VAT payable	**69,911**	**--**	**69,911**	--	--	--
Advances from policyholders	**48,567**	**--**	**48,567**	36,004	--	36,004
Other liabilities	**32,472**	**--**	**32,472**	22,590	--	22,590
	281,025	**4,784**	**285,809**	137,984	7,614	145,598

19. TRADE MARK FEES

During 2010, the Company entered into an agreement with a related party for obtaining a license to use the trade marks (the word Bupa with or without logo) of the related party. As per the terms of the agreement, the trade mark fee is payable at different rates linked to the results of the Company, subject to a maximum of 5% of the Company's profits in any financial year, as trade-mark fees. Accordingly, a sum of SR 20.5 million (2017: SR 19.3 million) payable to a related party has been accrued for during the year (see notes 24 and 32).

20. INSURANCE OPERATIONS' SURPLUS PAYABLE

	2018	*2017*
	SR'000	*SR'000*
Balance at beginning of the year	**138,581**	169,884
Income attributable to insurance operations during the year	**48,727**	50,392
Surplus paid to policyholders during the year	**(47,553)**	(81,695)
Net surplus payable to policyholders	**139,755**	138,581

21. EMPLOYEE END OF SERVICE BENEFITS

Accruals are made in accordance with the actuarial valuation under the projected unit credit method while the benefit payments obligation is discharged as and when it falls due. The amounts recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

21.1 Movement of defined benefit obligation

	2018	*2017*
	SR'000	*SR'000*
Balance at the beginning of the year	**66,469**	59,316
Charge to the statement of income during the year	**16,226**	15,150
Charge to the statement of other comprehensive income during the year	**8,922**	--
Benefits paid during the year	**(10,222)**	(7,997)
Balance at the end of the year	**81,395**	66,469

21.2 Reconciliation of present value of defined benefit obligation

	2018	*2017*
	SR'000	*SR'000*
Balance at the beginning of the year	**66,469**	59,316
Current service costs	**13,103**	12,405
Financial costs	**3,123**	2,745
Actuarial loss	**8,922**	--
Benefits paid during the year	**(10,222)**	(7,997)
Balance at the end of the year	**81,395**	66,469

21.3 Principal actuarial assumptions

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

	2018
Valuation discount rate	**4.60%**
Expected rate of increase in salary level across different age bands	**6.50%**

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

	2018
	SR'000
Valuation discount rate	
- Increase by 5%	**(2,149)**
- Decrease by 5%	**2,263**
Expected rate of increase in salary level across different age bands	
- Increase by 1%	**195**
- Decrease by 1%	**(195)**
Mortality rate	
- Increase by 50%	**(8)**
- Decrease by 50%	**8**
Employee turnover	
- Increase by 20%	**(1,367)**
- Decrease by 20%	**1,498**

The average duration of the defined benefit plan obligation at the end of the reporting period is 7.21 years.

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

a) Determination of fair value and fair value hierarchy

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

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;
Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
Level 3: valuation techniques for which any significant input is not based on observable market data.

b) Carrying amounts and fair value

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

	Fair value				***Carrying value***
	Level 1	***Level 2***	***Level 3***	***Total***	
			SR'000		
2018					
Financial assets measured at fair value					
- Investments held as FVSI	**16,021**	**364,373**	**--**	**380,394**	**380,394**
- Available-for-sale investments	**842,262**	**398,835**	**--**	**1,241,097**	**1,241,097**
	858,283	**763,208**	**--**	**1,621,491**	**1,621,491**

	Fair value				*Carrying value*
	Level 1	*Level 2*	*Level 3*	*Total*	
			SR'000		
2017					
Financial assets measured at fair value					
- Investments held as FVSI	106,290	801,117	--	907,407	907,407
- Available-for-sale investments	453,157	361,126	--	814,283	814,283
	559,447	1,162,243	--	1,721,690	1,721,690

22. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

c) Measurement of fair value

Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 2 fair value at 31 December 2018 and 31 December 2017, as well as the significant unobservable inputs used.

Type	***Valuation technique***	***Significant unobservable inputs***	***Inter-relationship between significant unobservable inputs and fair value measurement***
Floating rate sukuks and mutual funds	Valuations are based on quotations as received by the custodians at the end of each period and on published net asset value (NAV) closing prices.	Not applicable	Not applicable

23. OPERATING SEGMENTS

The Company only issues short-term insurance contracts for providing health care services (‘medical insurance’). All the insurance operations of the Company are carried out in the Kingdom of Saudi Arabia. For management reporting purposes, the operations are monitored in two customer categories, based on the number of members covered. Major customers represent members of large corporations, and all others are considered as non-major. Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing the performance of operating segments in line with the strategic decisions.

Operating segments do not include shareholders’ operations of the Company.

Segment results do not include investment and commission income, other income, selling and marketing expenses, and general and administration expenses.

Segment assets do not include cash and cash equivalents, term deposits, investments, and prepayments & other assets. Segment liabilities do not include reinsurance balance payable, accrued expenses and other liabilities, due to shareholders’ operations, share-based payment and policyholders’ share of surplus from insurance operations.

23. OPERATING SEGMENTS (continued)

Consistent with the Company's internal reporting, operating segments have been approved by the management in respect of the Company's activities, assets and liabilities as stated below:

	As at 31 December 2018				
	Insurance operations				
Operating segments	*Major customers*	*Non-major customers*	*Total - Insurance operations*	*Shareholders' operations*	*Total*
		SR'000		*SR'000*	*SR'000*
Assets					
Premiums receivable - net	**558,492**	**392,179**	**950,671**	**--**	**950,671**
Reinsurers' share of unearned premiums	**2,465**	**3,855**	**6,320**	**--**	**6,320**
Reinsurers' share of outstanding claims	**306**	**30**	**336**	**--**	**336**
Reinsurers' share of claims incurred but not reported	**2,437**	**241**	**2,678**	**--**	**2,678**
Deferred policy acquisition costs	**72,177**	**46,146**	**118,323**	**--**	**118,323**
Unallocated assets			**4,285,311**	**2,908,257**	**7,193,568**
Total assets			**5,363,639**	**2,908,257**	**8,271,896**
Liabilities					
Unearned premiums	**2,091,160**	**1,336,971**	**3,428,131**	**--**	**3,428,131**
Outstanding claims	**355,301**	**199,857**	**555,158**	**--**	**555,158**
Claims incurred but not reported	**574,799**	**323,324**	**898,123**	**--**	**898,123**
Claims handling reserve	**12,416**	**6,984**	**19,400**	**--**	**19,400**
Unallocated liabilities			**471,416**	**333,940**	**805,356**
Total liabilities			**5,372,228**	**333,940**	**5,706,168**

23. OPERATING SEGMENTS (continued)

	As at 31 December 2017				
	Insurance operations				
Operating segments	*Major customers*	*Non-major customers*	*Total – Insurance operations*	*Shareholders' operations*	*Total*
		SR'000		*SR'000*	*SR'000*
ASSETS					
Premium receivable – net	511,677	359,305	870,982	--	870,982
Reinsurers' share of unearned premiums	--	5,146	5,146	--	5,146
Reinsurers' share of outstanding claims	327	33	360	--	360
Reinsurers' share of claims incurred but not reported	609	61	670	--	670
Deferred policy acquisition costs	41,223	29,853	71,076	--	71,076
Unallocated assets	--	--	4,001,272	2,382,831	6,384,103
Total assets			4,949,506	2,382,831	7,332,337
LIABILITIES					
Unearned premiums	1,890,131	1,200,948	3,091,079	--	3,091,079
Outstanding claims	296,183	154,066	450,249	--	450,249
Claims incurred but not reported	550,055	321,943	871,998	--	871,998
Claims handling reserve	12,345	6,944	19,289	--	19,289
Unallocated liabilities	--	--	316,178	261,494	577,672
Total liabilities			4,748,793	261,494	5,010,287

23. OPERATING SEGMENTS (continued)

	2018		
Operating segments	*Major customers*	*Non-major customers*	*Total*
		SR'000	
REVENUES			
Gross premiums written	**5,454,933**	**3,111,715**	**8,566,648**
Reinsurance premiums ceded – Local	**(5,991)**	**(3,847)**	**(9,838)**
Reinsurance premiums ceded – International	**(43,051)**	**(27,639)**	**(70,690)**
Net premiums written	**5,405,891**	**3,080,229**	**8,486,120**
Changes in unearned premiums	**(201,029)**	**(136,023)**	**(337,052)**
Changes in reinsurance share of unearned premiums	**2,465**	**(1,291)**	**1,174**
Net premiums earned	**5,207,327**	**2,942,915**	**8,150,242**
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	**(4,337,336)**	**(2,371,188)**	**(6,708,524)**
Reinsurers' share of claims paid	**30,194**	**18,506**	**48,700**
Net claims paid	**(4,307,142)**	**(2,352,682)**	**(6,659,824)**
Changes in outstanding claims	**(59,118)**	**(45,791)**	**(104,909)**
Changes in claims incurred but not reported	**(24,744)**	**(1,381)**	**(26,125)**
Changes in claims handling reserves	**(71)**	**(40)**	**(111)**
Reinsurance share of changes in outstanding claims	**(21)**	**(3)**	**(24)**
Reinsurance share of changes in claims incurred but not reported	**1,828**	**180**	**2,008**
Net claims incurred	**(4,389,268)**	**(2,399,717)**	**(6,788,985)**
Policy acquisition costs	**(131,711)**	**(65,660)**	**(197,371)**
TOTAL UNDERWRITING COSTS AND EXPENSES	**(4,520,979)**	**(2,465,377)**	**(6,986,356)**
NET UNDERWRITING RESULTS	**686,348**	**477,538**	**1,163,886**
OTHER OPERATING (EXPENSES)/ INCOME			
Allowance for doubtful receivables			**(32,256)**
Unallocated income			**198,218**
Unallocated expenses			**(755,690)**
TOTAL OTHER OPERATING (EXPENSES)/INCOME			**(589,728)**
NET INCOME FOR THE YEAR			**574,158**
Net income attributed to insurance operations			**(48,727)**
Net income attributed to the shareholders			**525,431**

23. OPERATING SEGMENTS (continued)

	2017		
Operating segments	*Major customers*	*Non-major customers*	*Total*
		SR'000	
REVENUES			
Gross premiums written	4,727,398	3,005,563	7,732,961
Reinsurance premiums ceded – Local	(3,549)	(2,043)	(5,592)
Reinsurance premiums ceded – International	(39,832)	(22,924)	(62,756)
Net premiums written	4,684,017	2,980,596	7,664,613
Changes in unearned premiums	5,656	(1,745)	3,911
Changes in reinsurance share of unearned premiums	5,481	(1,691)	3,790
Net premiums earned	4,695,154	2,977,160	7,672,314
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(4,123,230)	(2,305,387)	(6,428,617)
Reinsurers' share of claims paid	28,300	15,918	44,218
Net claims paid	(4,094,930)	(2,289,469)	(6,384,399)
Changes in outstanding claims	(72,129)	(40,571)	(112,700)
Changes in claims incurred but not reported	59,384	33,402	92,786
Reinsurance share of changes in outstanding claims	(155)	(87)	(242)
Reinsurance share of changes in claims incurred but not reported	(287)	(161)	(448)
Net claims incurred	(4,108,117)	(2,296,886)	(6,405,003)
Policy acquisition costs	(111,060)	(71,006)	(182,066)
TOTAL UNDERWRITING COSTS AND EXPENSES	(4,219,177)	(2,367,892)	(6,587,069)
NET UNDERWRITING RESULTS	475,977	609,268	1,085,245
OTHER OPERATING (EXPENSES)/ INCOME			
Allowance for doubtful receivables			(3,718)
Unallocated income			157,832
Unallocated expenses			(688,353)
TOTAL OTHER OPERATING (EXPENSES)/INCOME			(534,239)
NET INCOME FOR THE YEAR			551,006
Net income attributed to insurance operations			(50,392)
Net income attributed to the shareholders			500,614

24. RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties represent major shareholders, Board members 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. Contract pricing policies and terms are conducted on an arm's length basis and transactions approved by the Company's management, or where required and applicable the Company's Board of Directors. The following are the details of the major related party transactions during the year and their related balances:

Related party	*Nature of transaction*	*Amount of transactions*		*Receivable/(payable) balance as at*	
		2018 SR'000	*2017 SR'000*	***2018 SR'000***	*2017 SR'000*
Shareholders	Insurance premium written	**70,343**	29,884	**(498)****	226**
Shareholders	Reinsurance Premium ceded	**14,939**	9,252	**(23,242)***	(11,476)*
Shareholders	Claims paid	**38,910**	13,994	**(2,784)*****	(1,113)***
Shareholders	Medical costs charged by providers	**38,817**	1,237	**(110)*****	(138)***
Shareholders	Expenses charged to/from a related party _ net	**1,927**	284	**(41)***	(820)*
Shareholders	Tax equalisation – net	**9,120**	--	**2,988***	(1,169)*
Shareholders	Board and committee member remuneration fees	**858**	800	**(258)***	(800)*
Bupa Middle East Holdings Two W.L.L. (Related party)	Trade mark fee	**20,542**	19,321	**(20,542)***	(19,321)*
Board member (related party)	Shariah review services	**--**	119	**--**	--

* Amounts due to related parties amounted to SR 41,095 thousand (2017: SR 33,586 thousand).
** Amounts included in premium receivables.
*** Amounts are included in the outstanding claims.

a. Compensation to key management personnel:

	2018 SAR'000	*2017 SAR'000*
Salaries and allowances (note (a) below)	**17,728**	16,888
Incentives (note (b) below)	**14,040**	14,178
End of Service	**978**	879
	32,746	*31,945*

a) Includes the members' direct salary related expenses, other than the incentives' and EOS expenses.
b) Includes the costs of the bonuses and the long term incentive plan.

24. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

b. Board of Directors' remuneration and related expenses

	2018	*2017*
	SAR'000	*SAR'000*
Board of Directors' remuneration (note (a) below)	**2,856**	*2,900*
Board attendance fees (note (b) below)	**-**	*(96)*
Other board and sub-committees' expenses (note (c) below)	**823**	*740*
	3,679	*3,544*

a) Board of Directors' remuneration is paid in accordance with the By-Laws of the Company, and the Board Member Remuneration Policy as approved by the public shareholders.

b) Per the shareholder approved Board and Board Committee Member Remuneration policies no Board or Board Committee attendance fee allowances are paid/payable by the Company so in 2018 attendance fees are nil and the 2016 attendance fees accrued were not paid but were reversed during 2017.

c) Other board and sub-committee expenses includes the fees of the non-Board members for attending the Board Committee meetings, in accordance with the Board Committee Member Remuneration Policy, as approved by the public shareholders, and also include other related Board/Board Committee meeting expenses incurred.

25. REINSURERS' BALANCE PAYABLE

Reinsurance payable represents amounts payable to reinsurers of SR 50.6 million (2017: SR 39.6 million), for the excess of loss (XOL) reinsurance contract.

26. ZAKAT AND INCOME TAX

a) Zakat

The Zakat payable by the Company has been calculated in accordance with Zakat regulations in Saudi Arabia.

The Zakat provision for the year is based on the following:

	2018	*2017*
	SR'000	*SR'000*
Share capital	**486,000**	526,000
Opening retained earnings, reserve and surplus	**835,259**	747,924
Opening provisions	**127,054**	133,021
Adjusted net income	**356,563**	232,016
Fixtures, furniture, equipment and goodwill	**(141,588)**	(59,431)
Investments	**(3,849,589)**	(3,781,987)
Others	**(72,900)**	(117,035)
Adjusted income attributable to Saudi shareholders and the general public (refer (*) below)	**(2,259,201)**	(2,319,492)

*As disclosed in note 27, during the current year, the shareholding attributable to Saudi shareholders and the general public has changed from 65.75% to 60.75%. Adjusted income has been computed on a pro-rata basis taking into consideration before and after shareholding change.

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

The Zakat charge relating to the Saudi shareholders consists of:

	2018	*2017*
	SR'000	*SR'000*
Provision for zakat @ 2.5%	**8,914**	8,822
Adjustment for assessment of zakat	**35,610**	39,240
Adjustment for previous years	**4,124**	--
	48,648	48,062

The movements in the Zakat provision during the year were as follows:

	2018	*2017*
	SR'000	*SR'000*
Balance at beginning of the year	**144,326**	108,942
Charge for the year	**48,648**	48,062
Payment made during the year	**(8,679)**	(12,678)
	184,295	144,326

26. ZAKAT AND INCOME TAX (continued)

b) Income Tax

	2018	*2017*
	SR'000	*SR'000*
Charge for the year	**40,551**	31,167

The movement in the income tax provision during the year was as follows:

	2018	*2017*
	SR'000	*SR'000*
Balance at beginning of the year	**4,378**	8,011
Charge for the year	**40,551**	31,167
Payment made during the year	**(29,440)**	(34,800)
	15,489	4,378

c) Provision for zakat and income tax

	2018	*2017*
	SR'000	*SR'000*
Zakat payable (note (a) above)	**184,295**	144,326
Income tax payable (note (b) above)	**15,489**	4,378
	199,784	148,704

d) Status of assessment

The Company has filed its zakat and income tax returns for the financial years up to and including the year 2017 with the General Authority of Zakat and Tax (the "GAZT").

In prior years, the Company has received assessments for the fiscal periods 2008 through 2010 raising additional demands aggregating to SR 9 million, principally on account of disallowance of FVSI investments and statutory deposits from the zakat base. The Company has filed appeals against these assessments with the GAZT. Further, for the years 2011 and 2012, the Company has received Preliminary Objection Committee's decisions in favour of the GAZT for the additional zakat liability of SR 17 million and has filed an appeal with the Higher Appeal Committee.

The Company has recently received final assessments for the fiscal years 2013 through 2016 of additional zakat, corporate income tax and withholding tax as well as delay fine on the assessed additional corporate income tax and withholding tax. The differences have mainly arisen due to disallowance of investments and statutory deposits from the zakat base as well as not taking into consideration the tax and zakat already settled along with the tax / zakat declarations for the respective years. The Company has filed appeals against these assessments with the GAZT.

The Company is also awaiting GAZT's decision on additional submissions of 2014 relating to the treatment of the statutory deposit and the cooperative distribution for the fiscal periods 2008 through 2013.

27. SHARE CAPITAL

The authorised, issued and paid-up capital of the Company was SR 1,200 million at 31 December 2018 (31 December 2017: SR 800 million) consisting of 120 million shares (31 December 2017: 80 million shares) of SR 10 each.

On 7 August 2018, after receiving the required approvals, Bupa Investments Overseas Limited purchased 5% shareholding in the Company from the Nazer Group, 0.09% from ASAS Health Care Company Limited, and 4.91% from Modern Computer Programs Company Limited. Bupa Investments Overseas Limited, as at 31 December 2018 owns 39.25% (2017: 34.25%) and Nazer Group owns 13.09% (2017: 18.09%).

During the year, there has been 50% increase in the share capital of the Company by way of issuance of bonus shares. The increase in share capital was funded from the retained earnings account by transferring an amount of SR 400 million which resulted in an increase in authorized, issued and paid up share capital to SR 1,200 million from SR 800 million. The number of issued shares have increased from Eighty Million (80,000,000) to One Hundred Twenty Million (120,000,000) shares. The Company received all required approvals from the authorities and the shareholders approved this capital increase, as well as the related changes in the By-laws of the Company, in the Extraordinary General Assembly meeting held on 22 November 2018. The new bonus shares capital was issued by Tadawul on 25 November 2018 and the update of the Company's By-Laws completed during January 2019. The final formalities relating to update the Commercial Registration of the Company will be completed during the first quarter of 2019.

The shareholding structure of the Company as at 31 December 2018, was reflected as below:

	2018		*2017*	
	Holding Percentage	***SR'000***	*Holding Percentage*	*SR'000*
Major shareholders	**52.3%**	**628,066**	52.3%	418,710
General Public	**47.7%**	**571,934**	47.7%	381,290
	100.0%	**1,200,000**	100.0%	800,000

28. STATUTORY RESERVE

As required by the Saudi Arabian Insurance Regulations, 20% of the shareholders' income shall be set aside as a statutory reserve until this reserve amounts to 100% of the paid-up share capital. The Company makes this transfer on an annual basis at 31 December. As at 31 December 2018, SR 609.1 million (31 December 2017: SR 504.02 million) had been set aside as a statutory reserve, representing 51% (31 December 2017: 63%) of the paid-up share capital.

29. SHARE-BASED PAYMENTS

The Company offers a Long-Term Incentive Plan (LTIP) to certain eligible employees and the purpose of the scheme is to incentivise the senior management team to achieve the Company's long-term goals and to attract and retain top performers. The plan provides focus on both current and future performance and enables the participants to share in the Company's success, and is measured based on net profit growth and profit margin. The plan vests over a period of a three years performance cycle. The Company's actual performance is assessed at the end of each year during the vesting period.

The LTIP scheme is an entirely equity-settled share based scheme under which the approved participants will receive Bupa Arabia shares after the completion of each three year performance period, the achievement of the performance measures, the achievement of the participant's conditions, and the completion of the required approvals. The LTIP scheme is supervised by the Nomination and Remuneration Committee (N&RC) after being approved by the Board of Directors.

29. SHARE-BASED PAYMENT (continued)

The cost of the plan is recognised over the period in which the service condition is fulfilled, ending on the date on which the relevant employees become fully entitled to the plan ('the vesting date'). The expense, recognised for the plan at each reporting date until the vesting date, reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit for a year represents the movement in cumulative expense recognised as at the beginning and end of that year.

The total LTIP expense recognised for employees' services received is charged to the statement of income with a corresponding increase in the statement of changes in equity, as per the requirements of IFRS 2 'Share Based Payments'. Any dividend distributions on the award shares during the vesting period are accumulated and transferred to the participants upon vesting.

The Company has a practice to reflect the grant date as the date of completion of the total LTIP shares purchases for the relevant cycle each year and to retain the LTIP shares with an investment broker, currently NCB Capital.

The LTIP transaction details are provided below:

Month/Period	*Number of shares purchased / (delivered/disposed) – net*	*The grant date fair value of the shares*	*Amount 31 December 2018 SR'000*
July 2015	32,110	277	8,901
November 2015	18,993	221	4,200
December 2015*	51,103	-	--
March 2016	92,669	115	10,693
March 2016	(2,814)	139	(390)
March 2017	(34,346)	139	(4,761)
March 2017	(6,825)	115	(788)
June 2017	96,491	115	11,060
March 2018	(10,210)	139	(1,415)
May 2018	(37,986)	111	(4,200)
June 2018**	(15,378)	139	(2,132)
September 2018***	121,816	94	11,494
November 2018****	152,811	-	--
Total	458,434		32,662

* *During December 2015, the Company issued Bonus shares, one per each issued share, and as a result received an additional 51,103 LTIP shares.*

** *The 2015-2017 LTIP Scheme's shares have been fully delivered to all entitled executives following the approval of the Board Nomination and Remuneration Committee.*

*** *The LTIP Scheme shares purchase value for the 2018-2020 cycle was formally approved by the shareholders in the General Assembly meeting of 31 May 2018 and these LTIP shares purchases were partially completed on 12 June 2018, at an average purchase price per share of SR 97, and the remaining required LTIP shares purchases for this cycle were completed on 4 September 2018, at an average purchase price per share of SR 90,*

**** *During November 2018, the Company issued Bonus shares, one for every two issued share, and as a result received an additional 152,811 LTIP shares.*

30. CAPITAL MANAGEMENT

For the purpose of the Company's capital management, capital includes share capital and all other equity reserves attributable to the shareholders. Objectives are set by the Board of Directors of the Company to maintain healthy capital ratios to support its business objectives and maximise shareholders' value. The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and the risk characteristics of the Company's activities. To maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares. Total capital amounted to SR 2,598,322 thousand (31 December 2017: SR 2,333,032).

In the opinion of the Board of Directors, the Company has fully complied with the regulatory capital requirements during the reported financial year. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017.

31. GENERAL AND ADMINISTRATIVE EXPENSES

	2018			*2017*		
	Insurance operations	***Shareholders' operations***	***Total***	*Insurance operations*	*Shareholders' operations*	*Total*
			SR'000			
Employees' costs	**328,907**	**--**	**328,907**	267,899	--	267,899
Rents and maintenance costs	**32,590**	**--**	**32,590**	31,374	--	31,374
Travelling expenses	**8,092**	**--**	**8,092**	8,937	--	8,937
Depreciation and amortization	**21,571**	**--**	**21,571**	16,827	--	16,827
Communication expenses	**6,858**	**--**	**6,858**	8,934	--	8,934
Board expenses	**--**	**3,990**	**3,990**	--	3,544	3,544
Others	**25,309**	**6,369**	**31,678**	35,103	7,509	42,612
	423,327	**10,359**	**433,686**	369,074	11,053	380,127

32. SELLING AND MARKETING EXPENSES

	2018	*2017*
	SR'000	*SR'000*
Employees' costs	**108,733**	117,274
Marketing expenses	**33,450**	26,530
Fulfilment costs	**11,235**	10,472
Statutory levies	**119,066**	110,565
Trade mark fee (see note 19)	**20,542**	19,321
Others	**28,978**	24,064
	322,004	308,226

33. INVESTMENT INCOME, NET

	2018			*2017*		
	Insurance operations	***Shareholders' operations***	***Total***	*Insurance operations*	*Shareholders' operations*	*Total*
			SR'000			
Commission income	**92,315**	**74,667**	**166,982**	91,102	43,027	134,129
Realised gains on investment, net	**2,516**	**7,686**	**10,202**	3,559	8,257	11,816
Unrealised gains on FVSI investments, net	**5,543**	**1,423**	**6,966**	5,007	7,289	12,296
	100,374	**83,776**	**184,150**	99,668	58,573	158,241

34. DIVIDENDS

On 17 April 2018, the Company's Board of Directors proposed to pay a dividend, for the year ended 31 December 2017, of SR 2 per share totaling SR 160 million to its shareholders (2016: SR120 million). This dividend proposal was presented and approved by the shareholders in the Extraordinary General Assembly meeting, held on 31 May 2018, and accordingly, the dividend payment was completed on 11 June 2018.

35. EARNINGS PER SHARE

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

The earnings per share for the previous year, of SR 4.18 per share, has been calculated based on the weighted average number of shares in issue after the 2018 capital increase, to 120,000,000 (one hundred and twenty million) shares, as was approved during the Extraordinary General Assembly meeting of the shareholders during the year, and the prior year earnings per share adjustment has been made in accordance with the relevant International Accounting Standards.

36. RISK MANAGEMENT

a) Insurance risk

The Company provides short-term health insurance contracts in Saudi Arabia. Accordingly, the main insurance Risk within the Company is the claims reserve risk resulting from fluctuations in the estimated ultimate claims. The Company seeks to manage this through close monitoring of the claims' trend and payments' pattern to ensure that sufficient reserves are available to cover claim liabilities. The Company also have an external actuary to perform quarterly independent reviews of the reserves adequacy.

The Company has a reinsurance arrangement to reduce its exposure through transfer of risk. The reinsurance agreement is an excess of loss treaty per person per claim on losses occurring basis.

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

Claims reserves which are key components of the Company's ultimate liability are estimated amounts of the outstanding claims, incurred but not reported claims ("IBNR") and claims handling provisions. These reserves do not represent exact calculations but rather expectations based on historical claims' trend (frequency and severity), payments' pattern, medical inflation, members' behaviour, seasonality and other factors.

The Company has a large insurance portfolio resulting in stable claims development patterns which relatively reduces the risk of fluctuations in the estimated ultimate claims. The short-tailed nature of the business is associated with higher consistency of the reserve estimates. The Company continually review the adequacy of claims reserves by conducting back-testing analysis, assessing the sufficiency of data, monitoring claims backlogs and settlement patterns. In addition, the external actuary runs independent valuation models after due reconciliation with financial statements to validate reserve adequacy.

ii) Concentration of insurance risk

The insurance risk exposure related to policyholders is mainly concentrated in Saudi Arabia. However, through its underwriting strategy, the Company ensures that the portfolio is well diversified and not concentrated within few large clients. Its business is proportionally spread across all regions in the Saudi Arabia, and the Company targets both corporate and retail business. The insurance portfolio is not concentrated in a specific benefit level (diverse medical providers, different deductibles, annual limits and sub-limits).

36. RISK MANAGEMENT (continued)

a) Insurance risk (continued)

iii) Process used to decide on assumptions

The pricing team follows the Company's underwriting guidelines (approved by the Board of Directors) in setting premiums taking into consideration credible claims experiences for both new business and renewals or medical declarations.

Assumptions used in determining claims reserves are based on the best estimate. Ultimate claims are estimated using historical claim trends adjusted for inflation, seasonality, membership growth and any other external or internal factors that may have impact on claim costs. Given the nature of the business, the Company may still be exposed to risk of insufficiency of claim reserves for which actual claim cost may turn out to be higher than the initial estimated ultimate claims.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the outstanding claims which are received but not yet settled with the providers. For the case of outstanding claims, the Company uses payment information of settled batches with providers to estimate the expected settlement amounts of recently submitted batches, while it uses mainly pre-authorization data to estimate IBNR. The Company seeks to avoid inadequate reserve levels by adopting established processes in determining claim reserve and using updated information from both claims received and pre-authorization data.

The premium liabilities have been determined as such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve, if applicable and required as per the result of the liability adequacy test) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies. The expected future liability is determined using the Company's loss ratio adjusted for seasonality and portfolio mix for the remaining unearned period. The details of estimation of the outstanding claims and premium deficiency reserves are given under Notes 2(d)(i).

iv) Sensitivity analysis

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

An assumed 5% change in the claim ratio, net of reinsurance, would impact net underwriting income as follows:

	2018	*2017*
	SR'000	*SR'000*
Impact of change in claim ratio by 5%	**± 407,512**	± 383,616

36. RISK MANAGEMENT (continued)

b) Reinsurance risk

The Company has a reinsurance arrangement to reduce its exposure through transfer of insurance risk. The reinsurance agreement is an excess of loss treaty per person per claim on losses occurring basis. Such arrangement protects the Company from large claims with a reasonable ceded premium given the stable underwriting performance and the size of the insurance portfolio.

The Reinsurers are selected based on the following criteria:

- All reinsurers should meet SAMA's minimum acceptable rating of BBB (S&P Rating).
- The reinsurers' panel and the agreement should be reviewed and approved by the Company's Board of Directors.

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

c) Market risk

Market risk refers to the potential impact of various market dynamics on the fair value or the expected cash flows of financial instruments. The Company adopts asset allocation guidelines and diversification limits on asset classes, geographies, currencies and securities to ensure that market risk is contained and kept to minimal levels.

The Board of Directors sets the overall risk appetite to a prudent level that does not impact the Company's operating results. The management prepares monthly and quarterly reports, highlighting deployment activities and exposure limits to ensure that appropriate monitoring and compliance with the approved guidelines. Management performs continuous assessment of developments in relevant markets to ensure that market risk is monitored and mitigated at the asset class and securities levels.

Market risk comprises three types: interest rate risk, price risk and currency risk.

36. RISK MANAGEMENT (continued)

c) Market risk (continued)

i) Interest rate risk

Interest rate risk is the potential change in the fair value of financial instruments and expected cash flows as a result of changes in interest rates. Management constantly monitors developments in global and local interest rates and accordingly allocates the durations of its term deposits and sukuk investments.

Investments in term deposits and sukuk instruments have various maturities in order to maximize investment returns while ensuring that liquidity requirements are continuously met. Details of maturities of interest bearing securities as at 31 December are as follows:

	2018				
	Less than 3 months	***3 months to 1 year***	***1 year to 3 years***	***More than 3 years***	***Total***
	SR'000				
Term deposits	**1,203,010**	**1,885,784**	**1,476,487**	**150,000**	**4,715,281**
Investments in Sukuk	**2,000**	**50,774**	**260,223**	**805,340**	**1,118,337**
	1,205,010	**1,936,558**	**1,736,710**	**955,340**	**5,833,618**

	2017				
	Less than 3 months	*3 months to 1 year*	*1 year to 3 years*	*More than 3 years*	*Total*
	SR'000				
Term deposits	797,521	2,171,247	776,615	200,000	3,945,383
Investments in Sukuk	--	37,580	168,695	681,390	887,665
	797,521	2,208,827	945,310	881,390	4,833,048

ii) Price risk

Price risk is the potential change in the fair value of financial instruments as a result of instrument-specific developments or systemic factors affecting the overall market in which the instrument is being traded.

The total size of investments which are exposed to market price risk is SR 1,621 million (2017: SR 1,721 million). The Company manages this risk conducting thorough due diligence on each instrument prior to investing as well as maintaining exposure limits guidelines to minimize the potential impact of marking to market on the overall portfolio.

The potential impact of a 10% increase or decrease in the market prices of investments on Company's profit would be as follows:

	Fair value change	**Effect on Company's profit SR'000**
2018	**± 10%**	**± 38,042**
2017	± 10%	± 90,741

The above sensitivity analysis is only on FVIS investments which directly impact the Company's profit.

36. RISK MANAGEMENT (continued)

c) Market risk (continued)

iii) Currency risk

Currency risk is the potential fluctuation of the value of a financial instrument due to changes in foreign exchange rates. All Company's transactions are in Saudi Arabian Riyals and US Dollar. Given the peg of Saudi Arabian Riyals and US Dollars, foreign exchange risk is minimal.

d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company seeks to manage its credit risk with respect to customers by following the Company's credit control policy and monitoring outstanding receivables on an on-going basis in order to reduce the Company's exposure to bad debts. The management estimates specific impairment provisions on a case by case basis. In addition to specific provisions, the Company also makes an additional portfolio provision, estimated on a collective basis, based on the ageing profile of the premiums receivable. The Company seeks to limit its credit risk with respect to other counterparties by placing term deposits and investments with reputable financial institutions. The Company enters into reinsurance contracts with recognised, creditworthy third parties (rated A or above).

The following table shows the maximum exposure to credit risk by class of financial asset:

	2018	*2017*
	SR'000	*SR'000*
Cash and cash equivalents	**290,413**	229,884
Premiums receivable – net	**950,671**	870,982
Reinsurers' share of outstanding claims	**336**	360
Reinsurers' share of claims incurred but not reported	**2,678**	670
Investments	**1,621,491**	1,721,690
Other receivables	**151,734**	132,535
Term deposits	**4,715,281**	3,945,383
Statutory deposit	**120,000**	80,000
Accrued income on statutory deposit	**6,882**	5,121
	7,859,486	6,986,625

36. RISK MANAGEMENT (continued)

d) Credit risk (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties. Investment grade ratings refers to companies with sound credit standing of AAA to BBB- (as per S&P) and/or Aaa to Baa3 (as per Moody's). Ratings below the mentioned threshold are considered sub-investment grade with a higher default risk.

	2018			
		Non-investment grade		
	Investment grade	***Not impaired***	***Impaired***	***Total***
	SR'000			
Cash and cash equivalents	**290,413**	**--**	**--**	**290,413**
Premiums receivable – net	**--**	**637,196**	**313,475**	**950,671**
Reinsurer's share of outstanding claims	**336**	**--**	**--**	**336**
Reinsurers' share of claims Incurred but not reported	**2,678**	**--**	**--**	**2,678**
Investments	**1,621,491**	**--**	**--**	**1,621,491**
Other receivables	**149,506**	**--**	**--**	**149,506**
Term deposits	**4,715,281**	**--**	**--**	**4,715,281**
Statutory deposit	**120,000**	**--**	**--**	**120,000**
Accrued income on statutory deposit	**6,882**	**--**	**--**	**6,882**
	6,906,587	**637,196**	**313,475**	**7,857,258**

	2017			
		Non-investment grade		
	Investment grade	*Not impaired*	*Impaired*	*Total*
	SR'000			
Cash and cash equivalents	229,884	--	--	229,884
Premiums receivable – net	--	611,323	259,659	870,982
Reinsurer's share of outstanding claims	360	--	--	360
Reinsurers' share of claims Incurred but not reported	670	--	--	670
Investments	1,721,690	--	--	1,721,690
Other receivables	130,063	--	--	130,063
Term deposits	3,945,383	--	--	3,945,383
Statutory deposit	80,000	--	--	80,000
Accrued income on statutory deposit	5,121	--	--	5,121
	6,113,171	611,323	259,659	6,984,153

36. RISK MANAGEMENT (continued)

e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its operational or financial obligations when they are due. Liquidity requirements are monitored on monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

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

	2018		
	Up to one year	***More than one year***	***Total***
	SR'000		
Accrued and other liabilities	**204,414**	**81,395**	**285,809**
Reinsurers' balances payable	**50,636**	**--**	**50,636**
Outstanding claims	**555,158**	**--**	**555,158**
Claims incurred but not reported	**898,123**	**--**	**898,123**
Claims handling reserve	**19,400**	**--**	**19,400**
Due to related parties	**41,095**	**--**	**41,095**
Provision for end-of-service benefits	**7,871**	**73,524**	**81,395**
Zakat and income tax	**2,403**	**197,381**	**199,784**
Accrued income payable to SAMA	**--**	**6,882**	**6,882**
	1,779,100	**359,182**	**2,138,282**

	2017		
	Up to one year	*More than one year*	*Total*
	SR'000		
Accrued and other liabilities	79,129	66,469	145,598
Reinsurers' balances payable	39,613	--	39,613
Outstanding claims	450,249	--	450,249
Claims incurred but not reported	871,998	--	871,998
Claims handling reserve	19,289	--	19,289
Due to related parties	33,586	--	33,586
Provision for end-of-service benefits	10,222	56,247	66,469
Zakat and income tax	10,841	137,863	148,704
Accrued income payable to SAMA	--	5,121	5,121
	1,514,927	265,700	1,780,627

i) Liquidity profile

All assets excluding investments, fixtures, furniture and equipment, intangible assets, goodwill, statutory deposit and accrued income on statutory deposit, are expected to be recovered or settled after one year. Term deposits amounting to SR 3,142 Million (31 December 2017: SR 3,006 Million) mature within one year and the remaining balance have maturities greater than one year.

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

36. RISK MANAGEMENT (continued)

f) Operation risk

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

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

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

37. SUPPLEMENTARY INFORMATION

Statement of Financial Position

	2018			*2017*		
	Insurance operations	***Shareholders' operations***	***Total***	*Insurance operations*	*Shareholders' operations*	*Total*
	SR'000	***SR'000***	***SR'000***	*SR'000*	*SR'000*	*SR'000*
ASSETS						
Cash and cash equivalents	**272,527**	**17,886**	**290,413**	110,384	119,500	229,884
Premiums receivables - net	**950,671**	**--**	**950,671**	870,982	--	870,982
Reinsurers' share of unearned premiums	**6,320**	**--**	**6,320**	5,146	--	5,146
Reinsurers' share of outstanding claims	**336**	**--**	**336**	360	--	360
Reinsurers' share of claims Incurred but not reported	**2,678**	**--**	**2,678**	670	--	670
Deferred policy acquisition costs	**118,323**	**--**	**118,323**	71,076	--	71,076
Investments	**810,175**	**811,316**	**1,621,491**	820,776	900,914	1,721,690
Prepaid expenses and other assets	**168,866**	**34,119**	**202,985**	157,535	12,993	170,528
Due from insurance operations	**--**	**--**	**--**	--	200,000	200,000
Term deposits	**3,033,743**	**1,681,538**	**4,715,281**	2,912,577	1,032,806	3,945,383
Fixtures, furniture and equipment - net	**--**	**81,243**	**81,243**	--	93,617	93,617
Intangible assets - net	**--**	**57,273**	**57,273**	--	39,880	39,880
Goodwill	**--**	**98,000**	**98,000**	--	98,000	98,000
Statutory deposit	**--**	**120,000**	**120,000**	--	80,000	80,000
Accrued income on statutory deposit	**--**	**6,882**	**6,882**	--	5,121	5,121
	5,363,639	**2,908,257**	**8,271,896**	4,949,506	2,582,831	7,532,337
Less: Inter-operation elimination	**--**	**--**	**--**	--	(200,000)	(200,000)
TOTAL ASSETS	**5,363,639**	**2,908,257**	**8,271,896**	4,949,506	2,382,831	7,332,337

37. SUPPLEMENTARY INFORMATION (continued)

Statement of Financial Position (continued)

	2018			2017		
	Insurance operations	***Shareholders' operations***	***Total***	*Insurance operations*	*Shareholders' operations*	*Total*
	SR'000	***SR'000***	***SR'000***	*SR'000*	*SR'000*	*SR'000*
LIABILITIES						
Accrued and other liabilities	**281,025**	**4,784**	**285,809**	137,984	7,614	145,598
Insurance operations' surplus payable	**139,755**	**--**	**139,755**	138,581	--	138,581
Reinsurers' balances payable	**50,636**	**--**	**50,636**	39,613	--	39,613
Unearned premiums	**3,428,131**	**--**	**3,428,131**	3,091,079	--	3,091,079
Outstanding claims	**555,158**	**--**	**555,158**	450,249	--	450,249
Claims incurred but not reported	**898,123**	**--**	**898,123**	871,998	--	871,998
Claims handling reserve	**19,400**	**--**	**19,400**	19,289	--	19,289
Due to related parties	**--**	**41,095**	**41,095**	--	33,586	33,586
Due to shareholders' operations	**--**	**--**	**--**	200,000	--	200,000
Provision for end-of-service benefits	**--**	**81,395**	**81,395**	--	66,469	66,469
Zakat and income tax	**--**	**199,784**	**199,784**	--	148,704	148,704
Accrued income payable to SAMA	**--**	**6,882**	**6,882**	--	5,121	5,121
	5,372,228	**333,940**	**5,706,168**	4,948,793	261,494	5,210,287
Less: Inter-operation elimination	**--**	**--**	**--**	(200,000)	--	(200,000)
TOTAL LIABILITIES	**5,372,228**	**333,940**	**5,706,168**	4,748,793	261,494	5,010,287
EQUITY						
Share capital	**--**	**1,200,000**	**1,200,000**	--	800,000	800,000
Statutory reserve	**--**	**609,111**	**609,111**	--	504,025	504,025
Share based payments	**--**	**17,579**	**17,579**	--	17,220	17,220
Shares held under employees share scheme	**--**	**(32,662)**	**(32,662)**	--	(28,915)	(28,915)
Retained earnings	**--**	**811,153**	**811,153**	--	1,030,887	1,030,887
Remeasurement reserve of defined benefit obligation	**--**	**(8,922)**	**(8,922)**	--	--	--
Investments fair value reserve	**(8,589)**	**(21,942)**	**(30,531)**	713	(1,880)	(1,167)
TOTAL EQUITY	**(8,589)**	**2,574,317**	**2,565,728**	713	2,321,337	2,322,050
TOTAL LIABILITIES AND EQUITY	**5,363,639**	**2,908,257**	**8,271,896**	4,749,506	2,582,831	7,332,337

37. SUPPLEMENTARY INFORMATION (continued)

Statement of Income

	2018			*2017*		
	Insurance operations	***Share-holders' operations***	***Total***	*Insurance operations*	*Share-holders' operations*	*Total*
	SR'000	***SR'000***	***SR'000***	*SR'000*	*SR'000*	*SR'000*
REVENUES						
Gross premiums written	**8,566,648**	--	**8,566,648**	7,732,961	--	7,732,961
Reinsurance premiums ceded – Local	**(9,838)**	--	**(9,838)**	(5,592)	--	(5,592)
Reinsurance premiums ceded – International	**(70,690)**	--	**(70,690)**	(62,756)	--	(62,756)
Net premiums written	**8,486,120**	--	**8,486,120**	7,664,613	--	7,664,613
Changes in unearned premiums	**(337,052)**	--	**(337,052)**	3,911	--	3,911
Changes in reinsurance share of unearned premiums	**1,174**	--	**1,174**	3,790	--	3,790
Net premiums earned	**8,150,242**	--	**8,150,242**	7,672,314	--	7,672,314
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	**(6,708,524)**	**--**	**(6,708,524)**	(6,428,617)	--	(6,428,617)
Reinsurers' share of claims paid	**48,700**	**--**	**48,700**	44,218	--	44,218
Net claims paid	**(6,659,824)**	--	**(6,659,824)**	(6,384,399)	--	(6,384,399)
Changes in outstanding claims	**(104,909)**	--	**(104,909)**	(112,700)	--	(112,700)
Changes in claims incurred but not reported	**(26,125)**	--	**(26,125)**	92,786	--	92,786
Changes in claims handling reserves	**(111)**	--	**(111)**	--	--	--
Reinsurance share of changes in outstanding claims	**(24)**	--	**(24)**	(242)	--	(242)
Reinsurance share of changes in claims incurred but not reported	**2,008**	--	**2,008**	(448)	--	(448)
Net claims incurred	**(6,788,985)**	--	**(6,788,985)**	(6,405,003)	--	(6,405,003)
Policy acquisition costs	**(197,371)**	**--**	**(197,371)**	(182,066)	--	(182,066)
TOTAL UNDERWRITING COSTS AND EXPENSES	**(6,986,356)**	**--**	**(6,986,356)**	(6,587,069)	--	(6,587,069)
NET UNDERWRITING RESULTS	**1,163,886**	**--**	**1,163,886**	1,085,245	--	1,085,245

37. SUPPLEMENTARY INFORMATION (continued)

Statement of Income (continued)

	2018			*2017*		
	Insurance operations	***Share-holders' operations***	***Total***	*Insurance operations*	*Share-holders' operations*	*Total*
	SR'000	***SR'000***	***SR'000***	*SR'000*	*SR'000*	*SR'000*
OTHER OPERATING (EXPENSES)/ INCOME						
Allowance for doubtful receivables	**(32,256)**	**--**	**(32,256)**	(3,718)	--	(3,718)
General and administrative expenses	**(423,327)**	**(10,359)**	**(433,686)**	(369,074)	(11,053)	(380,127)
Selling and marketing expenses	**(322,004)**	**--**	**(322,004)**	(308,226)	--	(308,226)
Investment income, net	**100,374**	**83,776**	**184,150**	99,668	58,573	158,241
Other income/(loss), net	**599**	**13,469**	**14,068**	24	(433)	(409)
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	**(676,614)**	**86,886**	**(589,728)**	(581,326)	47,087	(534,239)
NET INCOME FOR THE YEAR	**487,272**	**86,886**	**574,158**	503,919	47,087	551,006
Transfer of surplus to shareholders	**(438,545)**	**438,545**	**--**	(453,527)	453,527	--
NET RESULTS FROM OPERATIONS	**48,727**	**525,431**	**574,158**	50,392	500,614	551,006
Weighted average number of ordinary outstanding shares (in thousands)		**119,614**			119,674	
Basic earnings per share (Expressed in SR per share)		**4.39**			4.18	

37. SUPPLEMENTARY INFORMATION (continued)

Statement of Comprehensive Income

	2018			*2017*		
	Insurance operations	***Share-holders' operations***	***Total***	*Insurance operations*	*Share-holders' operations*	*Total*
	SR'000	***SR'000***	***SR'000***	*SR'000*	*SR'000*	*SR'000*
Net result from operations	**48,727**	**525,431**	**574,158**	50,392	500,614	551,006
Other comprehensive (loss) /income						
Items that will not be reclassified to statements of income in subsequent years						
Actuarial losses on defined benefit obligation	**--**	**(8,922)**	**(8,922)**	--	--	--
Items that are or may be reclassified to statement of income in subsequent years						
Net movement in fair value of available-for-sale investments	**(9,302)**	**(20,062)**	**(29,364)**	713	(1,880)	(1,167)
TOTAL COMPREHENSIVE INCOME	**39,425**	**496,447**	**535,872**	51,105	498,734	549,839
Reconciliation:						
Less: Net income attributable to insurance operations transferred to surplus payable			**(48,727)**			(50,392)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			**487,145**			499,447

37. SUPPLEMENTARY INFORMATION (continued)

Statement of Cash flows

	2018			*2017*		
	Insurance operations	***Share-holders' operations***	***Total***	*Insurance operations*	*Share-holders' operations*	*Total*
	SR'000	***SR'000***	***SR'000***	*SR'000*	*SR'000*	*SR'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income attributed to the shareholders	**--**	**525,431**	**525,431**	--	500,614	500,614
Adjustments for non-cash items:						
Net income attributed to the insurance operations	**48,727**	**--**	**48,727**	50,392	--	50,392
Depreciation of fixtures, furniture and equipment	**13,499**	**--**	**13,499**	11,078	--	11,078
Amortization of intangible assets	**8,072**	**--**	**8,072**	5,749	--	5,749
Share based-payments expense	**--**	**8,106**	**8,106**	--	5,837	5,837
Allowance of doubtful receivables	**32,256**	**--**	**32,256**	3,718	--	3,718
Unrealised gains on investments held as FVSI	**(5,543)**	**(1,423)**	**(6,966)**	(5,007)	(7,289)	(12,296)
Realized gains on investments	**(2,516)**	**(7,686)**	**(10,202)**	(3,559)	(8,257)	(11,816)
Provision for end-of-service benefits	**--**	**16,226**	**16,226**	--	12,673	12,673
Loss on disposal of fixture, furniture and equipment	**--**	**272**	**272**	--	433	433
Changes in operating assets and liabilities:						
Premiums receivable	**(111,945)**	**--**	**(111,945)**	105,843	--	105,843
Reinsurers' share of unearned premiums	**(1,174)**	**--**	**(1,174)**	(3,790)	--	(3,790)
Reinsurers' share of outstanding claims	**24**	**--**	**24**	242	--	242
Reinsurers' share of claims incurred but not reported	**(2,008)**	**--**	**(2,008)**	448	--	448
Deferred policy acquisition costs	**(47,247)**	**--**	**(47,247)**	1,205	--	1,205
Prepaid expenses and other assets	**(11,331)**	**(21,126)**	**(32,457)**	(25,989)	4,452	(21,537)
Accrued and other liabilities	**143,041**	**(2,830)**	**140,211**	(33,308)	4,790	(28,518)
Reinsurers' balances payable	**11,023**	**--**	**11,023**	24,496	--	24,496
Unearned premiums	**337,052**	**--**	**337,052**	(3,911)	--	(3,911)
Outstanding claims	**104,909**	**--**	**104,909**	112,700	--	112,700
Claims incurred but not reported	**26,125**	**--**	**26,125**	(92,786)	--	(92,786)
Claims handling reserve	**111**	**--**	**111**	--	--	--
Due to related parties	**--**	**7,509**	**7,509**	--	9,242	9,242
Due to shareholders' operations	**(221,571)**	**221,571**	**--**	34,696	(34,696)	--
	321,504	**746,050**	**1,067,554**	182,217	487,799	670,016
End-of-service benefits paid	**--**	**(10,222)**	**(10,222)**	--	(5,520)	(5,520)
Surplus paid to policyholders	**(47,553)**	**--**	**(47,553)**	(81,695)	--	(81,695)
Zakat and income tax paid	**--**	**(38,119)**	**(38,119)**	--	(47,478)	(47,478)
Net cash generated from operating activities	**273,951**	**697,709**	**971,660**	100,522	434,801	535,323

37. SUPPLEMENTARY INFORMATION (continued)

Statement of Cash flows (continued)

	2018			*2017*		
	Insurance operations	***Share-holders' operations***	***Total***	*Insurance operations*	*Share-holders' operations*	*Total*
	SR'000	***SR'000***	***SR'000***	*SR'000*	*SR'000*	*SR'000*
CASH FLOWS FROM INVESTING ACTIVITIES						
Placement in term deposits	**(3,846,049)**	**(1,478,709)**	**(5,324,758)**	(2,912,577)	(1,032,806)	(3,945,383)
Proceeds from maturity of term deposits	**3,724,883**	**829,977**	**4,554,860**	3,057,816	987,494	4,045,310
Additions to investments	**(1,033,480)**	**(794,544)**	**(1,828,024)**	(958,724)	(1,462,848)	(2,421,572)
Disposals of investments	**1,042,838**	**873,189**	**1,916,027**	691,317	1,289,930	1,981,247
Additions to fixtures, furniture and equipment	**--**	**(5,820)**	**(5,820)**	--	(31,557)	(31,557)
Disposal of furniture, furniture and equipment	**--**	**7**	**7**	--	8	8
Intangible assets acquired	**--**	**(21,049)**	**(21,049)**	--	(28,263)	(28,263)
Increase in statutory deposit	**--**	**(40,000)**	**(40,000)**	--	--	--
Purchase of shares under LTIP - net	**--**	**(11,494)**	**(11,494)**	--	(11,059)	(11,059)
Net cash used in investing activities	**(111,808)**	**(648,443)**	**(760,251)**	(122,168)	(289,101)	(411,269)
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividends paid	**--**	**(160,000)**	**(160,000)**	--	(120,000)	(120,000)
Income tax recovered from non-Saudi shareholders'	**--**	**9,120**	**9,120**	--	--	--
Net cash used in financing activities	**--**	**(150,880)**	**(150,880)**	**--**	(120,000)	(120,000)
Net change in cash and cash equivalents	**162,143**	**(101,614)**	**60,529**	(21,646)	25,700	4,054
Cash and cash equivalents at beginning of the year	**110,384**	**119,500**	**229,884**	132,030	93,800	225,830
Cash and cash equivalents at end of the year	**272,527**	**17,886**	**290,413**	110,384	119,500	229,884

38. COMPARATIVE FIGURES

Certain comparative figures have been reclassified and regrouped to conform with the current year's presentation as disclosed in note 2 to these financial statements.

The amounts "due to/from" shareholders and insurance operations which were previously reported separately in the respective statement of financial position, are now eliminated. In addition the 90/10 split of the surplus from insurance operations between shareholders and insurance operations are presented separately in the supplementary information (refer to note 37 above).

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors, on 5 Rajab 1440H corresponding to 12 March 2019.