AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

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

INDEX

pwc

Aldar Audit Bureau
Abdullah Al-Basri & Co.

Grant Thornton | An instinct for growth

Independent Auditors' Report on the Audit of the Financial Statements
To the Shareholders of Al Rajhi Company for Cooperative Insurance (A Saudi Joint Stock Company)

Opinion
We have audited the financial statements of Al Rajhi Company for Cooperative Insurance (the "Company"), which comprise the statement of financial position as at December 31, 2018, the statements of income and comprehensive income, statement of changes in shareholders' 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 December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing ("ISAs") as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the 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 judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, a description of how our audit addressed the matter provided in that context:

pwc

Aldar Audit Bureau
Abdullah Al-Basri & Co
Grant Thornton | An instinct for growth

Independent Auditors' Report on the Audit of the Financial Statements
To the Shareholders of Al Rajhi Company for Cooperative Insurance (A Saudi Joint Stock Company) (continued)

Key Audit Matters (continued)

Valuation of ultimate claim liabilities arising from insurance contracts	
As at December 31, 2018, outstanding claims including claims incurred but not reported (IBNR) amounted to Saudi Riyals 1,304.84 million as reported in Note 10 to the financial statements. The estimation of ultimate insurance contract liabilities involves a significant degree of judgment. The liabilities are based on the best-estimate of ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. In particular, estimates of IBNR and the use of actuarial and statistical projections involve significant judgment. A range of methods e.g. Chain ladder method, Bornhuetter Ferguson method, expected loss ratio method etc. are used by the management's expert (actuary) to determine these liabilities. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. We considered this as a key audit matter as the determination of ultimate claim liabilities arising from insurance contracts is subjective and relies on management assumptions and judgements. *Refer to the significant accounting policies note 4 to the financial statements, note 24 which explain the valuation methodology used by the Company and critical judgments and estimates.*	We understood, evaluated and tested key controls around the claims handling and provision setting processes of the Company and accuracy of claims data used in the actuarial reserving process. We evaluated the competence, capabilities and objectivity of the management's expert by considering their professional qualifications and experiences and assessing their relationship with the Company. In obtaining sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we tested on sample basis, the completeness and accuracy of underlying claims data utilised by the management's expert in estimating the IBNR by comparing it to accounting records. In order to challenge management's methodologies and assumptions, we were assisted by our internal expert (actuary) to understand and evaluate the Company's actuarial practices and provisions established. In order to gain comfort over the actuarial report issued by management's expert, our internal expert performed the following: - evaluated whether the Company's actuarial methodologies were consistent with generally accepted actuarial practices and with prior years. We sought sufficient justification for any significant differences; - assessed the reasonableness of key actuarial assumptions including claims ratios and expected frequency and severity of claims; - reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions performed; and - assessed the adequacy of the Company's disclosures regarding assumptions used and sensitivities as included in the accounting policies and in note 24 to the financial statements.

Independent Auditors' Report on the Audit of the Financial Statements
To the Shareholders of Al Rajhi Company for Cooperative Insurance (A Saudi Joint Stock Company) (continued)

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

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

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

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

Responsibilities of the Directors and those Charged with Governance for the Financial Statements
The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS as modified by SAMA for the accounting of zakat and income tax, the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors 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 International Standards on Auditing 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;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

pwc

Aldar Audit Bureau
Abdullah Al-Basri & Co

Grant Thornton | An instinct for growth

Independent Auditors' Report on the Audit of the Financial Statements
To the Shareholders of Al Rajhi Company for Cooperative Insurance (A Saudi Joint Stock Company) (continued)

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to 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.

PricewaterhouseCoopers
P.O. Box 8282
Riyadh 11482
Kingdom of Saudi Arabia

Bader I. Benmohareb
Certified Public Accountant
Registration No. 471

Aldar Audit Bureau
Abdullah Al Basri & Co
P.O. Box 2195
Riyadh 11452
Kingdom of Saudi Arabia

Abdullah M. Al Basri
Certified Public Accountant
Registration No. 171

19 Rajab 1440H
(corresponding to 26 March 2019)

برايس وترهاوس كوبرز
محاسبون قانونيون
ترخيص رقم ٢٥
PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
LICENSE NO. 25

ALDAR AUDIT BUREAU
Professional Partnership Co.
Head Office Riyadh
CR 1010443881
Certified Accountants
Abdullah Al Basri & Co.

STATEMENT OF FINANCIAL POSITION
As at December 31

	Notes	SAR '000 2018	SAR '000 2017
ASSETS			
Cash and cash equivalents	5	**492,182**	830,441
Contributions and re-takaful balances receivable, net	6	**456,575**	263,285
Re-takaful share of unearned contributions	10.2	**88,458**	91,709
Re-takaful share of outstanding claims	10.1 (a)	**384,991**	142,473
Re-takaful share of mathematical reserve at fair value through statement of income (FVSI)		**109**	114
Deferred policy acquisition costs	10.3	**60,868**	35,789
Investments mandatorily measured at fair value through statement of income (FVSI)	9 (a)	**163,828**	157,310
Investments designated as fair value through other comprehensive income (FVOCI)	9 (b)	**155,462**	84,766
Investments held at amortised cost	9 (c)	**1,788,646**	1,369,110
Prepayments and other assets		**69,602**	49,881
Property and equipment	7	**18,713**	18,936
Statutory deposit	8	**39,968**	39,968
Accrued income on statutory deposit		**3,439**	2,565
TOTAL ASSETS		**3,722,841**	3,086,347
LIABILITIES			
Payable, accruals and other liabilities	12	**132,108**	112,274
Re-takaful balances payable		**56,127**	66,318
Unearned contributions	10.2	**1,302,633**	1,304,110
Unearned re-takaful commission income		**6,002**	7,072
Gross outstanding claims	10.1 (a)	**1,304,844**	893,230
Unit linked liabilities at FVSI	18	**52,336**	30,595
End-of-service benefits (EOSB)	13	**15,119**	10,283
Provision for zakat and income tax	17	**33,689**	26,490
Payables to SAMA		**4,346**	3,473
		2,907,204	2,453,845
Takaful operations' surplus payable	19	**47,236**	34,442
TOTAL LIABILITIES AND ACCUMULATED SURPLUS		**2,954,440**	2,488,287
EQUITY			
Share capital	20	**400,000**	400,000
Statutory reserve		**91,302**	54,297
Retained earnings		**270,733**	142,211
Remeasurement reserve for EOSB	13	**(187)**	-
Fair value reserve - Investments designated as FVOCI		**6,553**	1,552
TOTAL EQUITY		**768,401**	598,060
TOTAL LIABILITIES, ACCUMULATED SURPLUS AND EQUITY		**3,722,841**	3,086,347
COMMITMENTS AND CONTINGENCIES	11	**14,437**	12,997

Naser Abdullah Aloufi	Abdulaziz Mohammed Al Sedeas	Robert Pereira
Member-Board	Chief Executive Officer	Chief Financial Officer

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31

	Notes	SAR '000 2018	SAR '000 2017
REVENUES			
Gross contribution written	10.2	**2,973,594**	3,193,474
Re-takaful contributions ceded - domestic	10.2	**(1,978)**	(1,305)
Re-takaful contributions ceded - foreign	10.2	**(93,616)**	(104,676)
Excess of loss expenses (XOL)	10.2	**(14,997)**	(14,475)
Net contributions written	10.2	**2,863,003**	3,073,018
Changes in unearned contributions, net		**(1,774)**	(285,681)
Net contributions earned		**2,861,229**	2,787,337
Re-takaful commission income	10.4	**14,551**	12,243
Other underwriting income		**5,972**	10,194
TOTAL REVENUES		**2,881,752**	2,809,774
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid and loss adjustment expenses		**(2,247,825)**	(2,073,776)
Surrenders and maturities		**(3,552)**	(1,826)
Re-takaful share of claims paid		**99,458**	31,920
Net claims and other benefits paid		**(2,151,919)**	(2,043,682)
Changes in outstanding claims, net		**(10,729)**	12,931
Changes in incurred but not reported (IBNR) claims, net		**(158,367)**	(316,787)
Net claims and other benefits incurred		**(2,321,015)**	(2,347,538)
Change in unit linked liabilities at FVSI	18	**(20,784)**	(15,382)
Policy acquisition costs	10.3	**(109,522)**	(94,456)
Other underwriting expenses		**(30,162)**	(23,288)
TOTAL UNDERWRITING COSTS AND EXPENSES		**(2,481,483)**	(2,480,664)
NET UNDERWRITING INCOME		**400,269**	329,110
OTHER OPERATING (EXPENSES)/ INCOME			
Allowance for doubtful debts - Contributions and re-takaful balances receivable	6	**(50,528)**	(5,317)
General and administrative expenses	15	**(232,963)**	(173,601)
Special commission income		**65,892**	32,629
Net gains on investments mandatorily measured at FVSI		**10,764**	7,955
Dividend income		**4,144**	3,407
Impairment loss on financial assets	9 e	**(323)**	(349)
Other income		**6,542**	7,936
TOTAL OTHER OPERATING EXPENSES		**(196,472)**	(127,340)
Net income for the year		**203,797**	201,770
Net income for the year attributed to takaful operations	25	**(18,770)**	(18,900)
Net income for the year attributable to the shareholders		**185,027**	182,870
Earnings per share (EPS)			
Basic and diluted EPS	22	**4.63**	4.57

Naser Abdullah Aloufi	Abdulaziz Mohammed Al Sedeas	Robert Pereira
Member-Board	Chief Executive Officer	Chief Financial Officer

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31

	Notes	SAR '000 2018	SAR '000 2017
Net income for the year		**203,797**	201,770
Other comprehensive (loss) / income:			
Items that will not be reclassified to statement of income in subsequent years			
- Net fair value changes on investments designated as FVOCI			
- Takaful operations	9, 25.3	**(5,711)**	-
- Shareholder's operations	9, 25.3	**10,712**	1,552
- Remeasurement of EOSB	13	**(187)**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**208,611**	203,322
Total comprehensive income attributed to takaful operations		**13,059**	18,900
Total comprehensive income for the year attributable to the shareholders		**195,552**	184,422

Naser Abdullah Aloufi
Member-Board

Abdulaziz Mohammed Al Sedeas
Chief Executive Officer

Robert Pereira
Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31
(SAR in '000')

	Notes	Share capital	Statutory reserve	Retained earnings	Remeasurement reserve for EOSB	Fair value reserve - Investments designated as FVOCI	Total
Balance as at January 1, 2018		**400,000**	**54,297**	**142,211**	**-**	**1,552**	**598,060**
Total comprehensive income / (loss):							
Net income for the year		-	-	**185,027**		-	**185,027**
-Net fair value changes on investments designated as FVOCI	25.1	-	-	-	-	**5,001**	**5,001**
-Remeasurement of EOSB		-	-	-	**(187)**	-	**(187)**
		-	-	**185,027**	**(187)**	**5,001**	**189,841**
Transfer to statutory reserve		-	**37,005**	**(37,005)**	-	-	-
Provision for zakat and income tax	17	-	-	**(19,500)**	-	-	**(19,500)**
Balance as at December 31, 2018		**400,000**	**91,302**	**270,733**	**(187)**	**6,553**	**768,401**

	Notes	Share capital	Statutory reserve	Retained earnings	Remeasurement reserve for EOSB	Fair value reserve - Investments designated as FVOCI	Total
Balance as at January 1, 2017		400,000	17,725	11,136	-	502	429,363
Adjustments on initial adoption of IFRS-9				277	-	(502)	(225)
Restated balance as at January 1, 2017		400,000	17,725	11,413	-	-	429,138
Total comprehensive income:							
Net income for the year		-	-	182,870	-	-	182,870
-Net fair value changes on investments designated as FVOCI	25.1	-	-	-	-	1,552	1,552
-Remeasurement of EOSB		-	-	-	-	-	-
		-	-	182,870	-	1,552	184,422
Transfer to statutory reserve		-	36,572	(36,572)	-	-	-
Provision for zakat and income tax	17	-	-	(15,500)	-	-	(15,500)
Balance as at December 31, 2017		400,000	54,297	142,211	-	1,552	598,060

Naser Abdullah Aloufi Member-Board	Abdulaziz Mohammed Al Sedeas Chief Executive Officer	Robert Pereira Chief Financial Officer

STATEMENT OF CASH FLOWS
For the year ended December 31

	Notes	SAR '000 2018	SAR '000 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		**203,797**	201,770
Adjustments for non-cash items:			
Depreciation of property and equipment	15	**7,934**	8,037
Allowance for doubtful debts - Contributions and re-takaful balances receivable	6	**50,528**	5,317
Unrealized gain on investments mandatorily measured at FVSI		**(1,234)**	(1,050)
Impairment loss on financial assets		**323**	349
Provision for end-of-service benefits	13	**5,477**	2,002
		266,825	216,425
Changes in operating assets and liabilities:			
Contributions and re-takaful balances receivable		**(243,818)**	42,200
Re-takaful share of unearned contributions		**3,251**	(22,043)
Re-takaful share of outstanding claims		**(242,518)**	(46,764)
Re-takaful share of mathematical reserve at FVSI		**5**	(56)
Deferred policy acquisition costs		**(25,079)**	(5,423)
Prepayments and other assets		**(19,721)**	(13,556)
Accrued income on statutory deposit		**(873)**	(910)
Payable, accruals and other liabilities		**19,834**	39,250
Other reserves		**-**	(134)
Unit linked liabilities at FVSI		**21,741**	16,399
Re-takaful balances payable		**(10,191)**	15,639
Unearned contributions		**(1,477)**	307,724
Unearned re-takaful commission		**(1,070)**	344
Outstanding claims		**411,614**	350,620
Deposit against guarantees		**(1,440)**	(1,150)
Payables to SAMA		**873**	909
		177,956	899,474
Zakat paid	17	**(12,301)**	(7,401)
Takaful operations' surplus paid	19	**(5,976)**	-
End-of-service benefits paid	13	**(828)**	(1,590)
Net cash generated from operating activities		**158,851**	890,483
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments mandatorily measured at FVSI		**(1,760,073)**	(2,945,157)
Disposals of investments mandatorily measured at FVSI		**1,754,789**	2,901,474
Purchase of investments designated as FVOCI		**(125,486)**	(62,139)
Disposals of investments designated as FVOCI		**59,899**	60,472
Movement in cash balance in equity share portfolio		**(108)**	2,423
Purchase of investments held at amortised cost		**(1,370,000)**	(1,865,109)
Disposal of investments held at amortised cost		**950,000**	1,380,035
Additions in property and equipment		**(7,711)**	(6,968)
Net cash used in investing activities		**(498,690)**	(534,969)
Net change in cash and cash equivalents		**(339,839)**	355,514
Cash and cash equivalents, beginning of the period	5	**816,779**	461,265
Cash and cash equivalents, end of the period	5	**476,940**	816,779
NON-CASH INFORMATION			
Changes in fair value of investments designated as FVOCI		***5,001***	*1,552*

Naser Abdullah Aloufi	Abdulaziz Mohammed Al Sedeas	Robert Pereira
Member-Board	Chief Executive Officer	Chief Financial Officer

Notes to the financial information
For the year ended December 31, 2018

1. GENERAL

Al Rajhi Company for Cooperative Insurance (a Saudi Joint Stock Company incorporated in Kingdom of Saudi Arabia), "the Company", was formed pursuant to Royal Decree No. (M/35) dated Jumada al thani 27,1429. (January 1, 2008). The Company operates under Commercial Registration no. 1010270371 dated Rajab 5, 1430 corresponding to June 28, 2009. The registered address of the Company's head office is as follows:

Al Rajhi Company for Cooperative Insurance
P.O. Box 67791
Riyadh 11517
Kingdom of Saudi Arabia.

The purpose of the Company is to conduct takaful operations and all related activities including re-takaful and agency activities. Its principal lines of business include medical, motor, marine, fire, engineering and casualty insurance.

On July 31, 2003, corresponding to Jumada al thani 2, 1424, the Saudi Arabian Monetary Authority ("SAMA"), as the principal authority responsible for the application and administration of the Insurance Law and its Implementing Regulations, granted the Company a license to transact insurance activities in the Kingdom of Saudi Arabia. On April 20, 2004, corresponding to Rabi' al-awwal 1, 1425, the Law on the Supervision of Cooperative Insurance Companies ("Insurance Law") was promulgated by Royal Decree Number (M/32).

As a commitment from the Company for its activities to be in compliance with Islamic Shari'a legislations, since its inception, the Company has established a Shari'a Authority to review and approve the activities and the products of the Company.

2. BASIS OF PREPARATION

a) Basis of presentation and measurement

The financial statements are prepared under the going concern basis and the historical cost convention, except for investments measured at fair value through statement of income (FVSI), investments designated as fair value through other comprehensive income (FVOCI), unit linked liabilities measured at FVSI and employees' end of service benefits (EOSB) carried at present value. The Company's statement of financial position is not presented using a current / non-current classification. The following balances would generally be classified as non-current: financial assets at fair value through other comprehensive income, financial asset at amortised cost, property and equipment, statutory deposit, other assets, end of service benefits and payable to shareholders. All other assets and liabilities are classified as current.

The Company has prepared these financial statements 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 accrued on a quarterly basis through shareholders equity under retained earnings.

The Company presents its statement of financial position in order of liquidity. As required by Saudi Arabian insurance regulations, the Company maintains separate books of accounts for Takaful Operations and Shareholders' Operations and presents the financial information accordingly (refer note 25). The physical custody of all assets related to the Takaful Operations and Shareholders' Operations are held by the Company. Assets, liabilities, revenues and expenses clearly attributable to each operation are recorded in their respective books. As per the Company's policy, all general and administrative expenses of Takaful Operations are charged to Shareholders' Operations. The basis of allocation of other revenue and expenses from joint operations is determined by the management and approved by the Board of Directors.

2. BASIS OF PREPARATION

a) Basis of presentation and measurement (continued)

As per the Company's policy, all general and administrative expenses of takaful operations are charged to shareholders' operations. The Company in accordance with the Islamic Shariah provisions managing the co-operative insurance operations and calculates the management fee in the below manner and pays it in full shortly after the end of the fiscal year (refer note 25);

The first component of the management fee is calculated based on the net contributions written for the period after adjusting commission income and cost of production for motor and general at 40% and for health at 30% and is limited to the extent of general and administrative expenses charged in the interim statement of income – shareholders' operations and the other component of the management fee is determined up to 90% of the net surplus, if any, for the period from takaful operations remaining after computing the first component of management fee. The Company is required to distribute the remaining 10% of the net surplus from Takaful operations to policyholders in accordance with the Insurance Law and Implementation Regulations issued by the Saudi Arabian Monetary Agency ("SAMA"). Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

The statement of financial position, statements of income, comprehensive income and cash flows of the takaful operations and shareholders' operations which are presented in note 25 of the financial statement have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the takaful operations and the shareholders' operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the takaful operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive income or losses of the respective operations.

In preparing the Company-level financial information in compliance with IFRSs, the balances and transactions of the takaful operations are amalgamated and combined with those of the shareholders' operations. Interoperation balances, transactions and unrealised gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the takaful operations and shareholders' operations are uniform for like transactions and events in similar circumstances.

The functional and presentational currency of the Company is Saudi Arabian Riyal (SAR). The financial statements values are presented in SAR rounded off to the nearest thousand, except where otherwise indicated.

b) Fiscal year

The Company follows a fiscal year ending December 31.

c) Critical accounting judgments, estimates and assumptions

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

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

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

2. BASIS OF PREPARATION (continued)

c) Critical accounting judgments, estimates and assumptions (Continued)

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

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

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

ii. Measurement of expected credit loss allowance on financial assets accounted for under IFRS 9

The measurement of the expected credit loss allowance for financial assets measured at amortised cost, other than contributions and re-takaful balances receivable, is an area that requires the use of complex models and significant assumptions about future economic conditions.

Explanation of the inputs, assumptions and estimation techniques used in measuring expected credit loss (ECL) is further detailed in note 24.1.1, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such

a. Determining criteria for significant increase in credit risk;
b. Choosing appropriate models and assumptions for the measurement of ECL;
c. Establishing groups of similar financial assets for the purposes of measuring ECL.

iii) Impairment of contributions and re-takaful balances receivable accounted for under IAS-39

Insurance contracts are accounted for under IFRS-4 and excluded from the scope of IFRS-9. Therefore, these continue to be accounted for under IAS-39.A provision for impairment of contribution and re-takaful balances receivable is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired.

iv) Fair value of financial instruments

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

The fair value of such securities not quoted in an active market may be determined by the Company using latest available audited net assets value of the investee. The Company would exercise judgement and estimates on the quantity and quality of pricing sources used. Where no market data is available, the Company may value positions using its own models, which are usually based on valuation methods and techniques generally recognised as standard within the market practice. As of December 31, 2018, the Company has unlisted equity investments of SAR 7.54 million (December 31, 2017 SAR 6.05 million).

3. STANDARDS AND AMENDMENTS ISSUED

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2017, except for the new and amended standards and interpretation made in the following which are effective for annual periods beginning on or after January 1, 2018:

The Company adopted IFRS 15 'Revenue from Contracts with Customers'. IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after January 1, 2018. 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 IFRS. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Company has opted for the modified retrospective application permitted by IFRS 15 upon adoption of the new standard. Modified retrospective application requires the recognition of the cumulative impact of adoption of IFRS 15 on all contracts as at January 1, 2018 in equity. IFRS 15 does not have any material impact on the financial statement of the Company.

Standards issued but not yet effective

The following are the standards which are issued but are not yet effective:

IFRS 16 - "Leases", applicable for the period beginning on or after January 1, 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 because currently the Company does not have any material lease contract or commitment which may require restatement in financial statements on adoption of IFRS 16.

IFRS 17 - "Insurance Contracts", applicable for the period beginning on or after January 1, 2021, and will supersede IFRS 4 "Insurance Contracts". Earlier adoption permitted if both IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' have also been applied. The Company expects a material impact on measurement and disclosure of insurance and reinsurance that will affect both the statement of income and the statement of finacial position. The Company has decided not to early adopt IFRS 17 however IFRS 9 is already adopted effective from January 1, 2017.

4. SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies are as follows;

4.1 Takaful contracts

Takaful contracts are those contracts where the Company (the insurer) has accepted significant takaful 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 defines significant takaful risk as the possibility of having to pay benefits on the occurrence of an insured event.
Once a contract has been classified as a takaful contract, it remains a takaful contract till its maturity, even if the takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank and murabaha deposits with an original maturity of three months or less from the acquisition date.

4.3 Contributions and re-takaful balances receivable

Contributions receivable are stated at gross written contributions receivable from insurance contracts, less an allowance for any uncollectible amounts. Contributions and re-takaful balances receivable are recognised when due and measured on initial recognition at the fair value of the consideration receivable. The carrying value of receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in the statement of income. Receivable balances are derecognised when the Company no longer controls the contractual rights that comprise the receivable balance, which is normally the case when the receivable balance is sold, or all the cash flows attributable to the balance are passed through to an independent third party. Receivables disclosed in note 6 fall under the scope of IFRS 4 "Insurance contracts".

4.4 Re-Takaful

Re-takaful contracts are contracts entered into by the Company under which the Company is compensated for losses on takaful contracts issued.

The benefits to which the Company is entitled under its re-takaful contracts held are recognized as re-takaful assets. These assets consist of the re-takaful share of settlement of claims and other receivables such as profit commissions and the re-takaful share of outstanding claims that are dependent on the expected claims and benefits arising under the related re-takaful contracts.

Amounts recoverable from or due to re-takaful companies are recognized consistently with the amounts associated with the underlying takaful contracts and in accordance with the terms of each re-takaful contract.

Where the carrying amount of a re-takaful asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Allowance for doubtful debt is recognised in the statement of income. On derecognition of a re-takaful asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of income.

Ceded re-takaful arrangements do not relieve the Company from its obligations to policyholders.

4.5 Deferred policy acquisition costs (DPAC)

Commissions and other costs directly related to the acquisition and renewal of takaful contracts are deferred and amortised over the terms of the contract to which they relate, similar to contributions earned. Amortisation is recorded in the "policy acquisition cost" in the statement of income. All other indirect costs are recognised as an expense when

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

An assessment is performed of the policies at each reporting date or if circumstances exist which require assessment. If based on assessment, 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 write-off in the statement of income. DPAC is also considered in the liability adequacy test for each reporting period.

4.6 Financial assets and liabilities

Measurement methods

The effective profit rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, contributions or discounts and fees and points paid or received that are integral to the effective profit rate, such as origination fees.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Financial assets and liabilities (continued)

Profit income

Profit income is recognised using the effective profit rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, profit income is recognised by applying the effective profit rate to the net carrying value of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, profit income is recognised by applying the effective profit rate to the gross carrying amount of the financial asset.

Initial recognition and measurement

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective profit method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

The Company exercises judgment in determining whether the contractual terms of financial assets it originates or acquires give rise on specific dates to cash flows that are solely payments of principal and profit income on the principal outstanding and so may qualify for amortised cost measurement. In making the assessment the Company considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage.

4.6.1 Classification and subsequent measurement of financial assets

The Company classifies its financial assets in the following measurement categories:

a. Fair value through statement of income (FVSI);

b. Fair value through other comprehensive income (FVOCI); or

c. Held at amortised cost.

Investment in the mutual funds are classified as FVSI.

Investment in shares are designated as FVOCI.

Investments in sukuks, time deposits, balances with banks, statutory deposits and contribution and retakaful balances receivables are classified as held at amortized cost.

There is no debt instrument which has been classified as FVOCI or FVSI by the Company.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Classification and subsequent measurement of debt instruments depend on:

(i) the Company's business model for managing the financial assets; and

(ii) the contractual cash flow characteristics of the financial assets.

Business model:

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVSI.

Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the liquidity portfolio of assets, which is held by the Company as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVSI.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6.1 Classification and subsequent measurement of financial assets (continued)

Solely payments of principal and profit:

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and profit. In making this assessment, the Company considers whether the contractual cash flows are consistent with the lending agreement i.e. profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVSI.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit, and that are not designated at FVSI, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 24.1.1. Profit income from these financial assets is included in 'Special commission income' using the effective profit method.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and profit, and that are not designated at FVSI, are designated as fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, special commission income and foreign exchange gains and losses on the instrument's amortised cost which are recognised in the statement of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of income. Profit income from these financial assets is included in 'Special commission income' using the effective profit rate method.
- Fair value through statement of income (FVSI): Assets that are held for trading purpose or assets that do not meet the criteria for amortised cost or FVOCI are measured at FVSI. A gain or loss on a debt investment that is subsequently measured at FVSI presented in the statement of income in the period in which it arises.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during current the year 2018.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Company classifies all equity investments at FVSI, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, transaction costs are made part of the cost at initial recognition and subsequent fair value gains and losses (unrealized) are recognized in OCI and are not subsequently reclassified to the statement of income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in the statement of income as 'Dividend income' when the Company's right to receive payments is established.

Gains and losses on equity investments at FVSI (both realized and unrealized) are included in the 'Net gains on investments mandatorily measured at FVSI' line in the statement of income.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6.2 Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The Company applies the expected credit losses ('ECL') on its financial assets measured at amortised cost, other than contributions and re-takaful balances receivable as rights and obligations under insurance contracts are accounted for under IFRS 4 because the policyholder transfers to the insurer significant insurance rather than financial risk, and FVOCI, which are in the scope of IFRS 9 for impairment. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 24.1.1 provides more detail of how the expected credit loss allowance is measured.

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset carried under IAS-39 or a group of such financial assets is impaired. Evidence of impairment may include; significant financial difficulty of the issuer or debtor, a breach of contract, such as a default or delinquency in payments, it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization, the disappearance of an active market for that financial asset because of financial difficulties, or observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:

- adverse changes in the payment status of issuers or debtors in the Company; or
- national or local economic conditions at the country of the issuers that correlate with defaults on the assets.

If there is objective evidence that an impairment loss on a financial asset exists, the impairment for assets carried at amortized cost, impairment is based on estimated future cash flows that are discounted at the original effective commission rate.

4.6.3 Derecognition of financial assets

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of ownership, or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

The Company enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of income.

4.6.4 Classification and subsequent measurement of financial liabilities

Financial liabilities are classified and subsequently measured at amortised cost, except for financial liabilities at fair value through statement of income (FVSI): this classification is applied to financial liabilities at FVSI at initial recognition. Gains or losses on financial liabilities designated at FVSI are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially in statement of income (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in the statement of income.

The Company has unit linked liabilities at FVSI. These pertains to individual life insurance contracts which insures human life events such as death over a long period of time. Insurance premiums are recognized directly as liabilities. These are contractually linked to the fair value of the investments within the policy holders unit linked investments. These liabilities are increased/decreased by change in the unit prices as in the case of unit-linked contracts and decreased by plan holder charges and surrender and maturities. The unit linked liabilities are determined as the value of the units deemed allocated at the valuation date. Additional technical provisions have been established for the value of risk related to the life insurance contracts. These additional provisions are calculated using actuarial techniques and are immaterial and are not a significant portion of the overall unit linked liabilities.

4.6.5 Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, 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 liability simultaneously. Income and expense is 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.

4.8 Property and equipment

Property and equipment is measured at cost net of accumulated depreciation and accumulated impairment in value if any. Cost includes expenditure that is directly attributable to the acquisition of the assets. Expenditure for repair and maintenance is charged to the statement of income. Improvements that increase the value or materially extend the life of the related assets are capitalised. Depreciation is charged to the statement of income on a straight line basis over the estimated useful lives of the assets. The estimated useful lives of the assets are:

	Year
Office and electrical equipment	5
Furniture and fixtures	6-7
Motor vehicles	5
Computer hardware and software	3 - 5

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in statement of income.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income when the asset is derecognised.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

The residual values, useful lives and methods of depreciation of property, equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

4.9 Statutory deposit

In accordance with the Cooperative Insurance Companies Control Law issued by the Saudi Arabian Monetary Authority ("SAMA"), the Company is required to maintain a deposit in a bank account equal to 10% of the paid up share capital of the Company. This statutory deposit cannot be withdrawn without the consent of SAMA. Statutory deposit is classified as a financial asset and is carried at amortized cost.

4.10 Claims

Claims consist of amounts payable to policyholders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to statement of income in the period in which they are incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the statement of financial position date, together with related claim handling cost whether reported by the insured or not. Provisions for reported claims not paid as at the reporting date, are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims Incurred But Not Reported ("IBNR") at the reporting date. The ultimate liability may be in excess of or less than the amount provided.

Any difference between the provisions at the reporting date and settlements and provisions in the following year is charged to statement of income.

The Company does not discount its liabilities for unpaid claims, as substantially all claims are expected to be paid within one year of the reporting date.

Re-takaful claims are recognized when the related gross insurance claim is recognised according to the term of the relevant contract.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Salvage and subrogation

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

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

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

4.12 Liability adequacy test

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

4.13 End of service benefits

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

4.14 Zakat and income tax

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

4.15 Payables to SAMA

This represents accrued income on statutory deposit and SAMA levy accrual. The Company is carrying this liability at amortized cost.

4.16 Takaful operations' surplus payable

In accordance with the Implementing Regulations issued by SAMA, the shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policy holders are to receive the remaining 10%. Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

4.17 Statutory reserves

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Revenue recognition

Contributions and commissions are taken into income over the terms of the policies to which they relate on a pro-rata basis. The portion of contributions and commissions that will be earned in the future is reported as unearned contributions and commissions, respectively, and is deffered based on the following methods:

4.18.1 Recognition of contribution and commission revenue

Premiums and commission are recorded in the statement of income based on straight line method over the insurance policy coverage period except for long term polices (construction and engineering) and marine cargo. Unearned premiums are calculated on a straight line method over the insurance policy coverage except for:

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

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

Actual number of days for other lines of business.

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

Management fee attributable to shareholders' operations as appearing in note 25.2 includes contributions earned less claims paid, other underwriting expenses and anticipated claims payable in respect of the year, net of amounts reinsured, less provision for any anticipated future losses on continuing policies.

4.18.2 Re-takaful commission income

Re-takaful commissions are deferred and amortised on a straight-line basis over the term of the takaful contracts. Re-takaful commission income is recognised as the basis of terms agreed with reinsurers which include claim or loss ratios on policies ceded.

4.19 Management fee for administration of takaful operations and attributable to shareholders operations

The Company's by-laws require separate books to be maintained for Takaful and Shareholders' operations. As per the Company's policy, all general and administrative expenses of Takaful operations are charged to Shareholders' operations. The Company in accordance with the Islamic sharia provisions of managing the co-operative insurance operations calculates the management fees in the below manner and pays it in full shortly after the end of the fiscal year.

- The first component of the management fee is calculated based on the net contributions written for the year after adjusting commission income and cost of production for motor and general at 40% and for health at 30% and is limited to the extent of general and administrative expenses charged in the statement of income – shareholders' operations; and
- The other component of the management fee is determined up to 90% of the net surplus if any for the year from takaful operations remaining after computing the first component of management fee. The Company is required to distribute the remaining 10% of the net surplus from Takaful operations to policyholders in accordance with the Insurance Law and Implementation Regulations issued by the Saudi Arabian Monetary Agency ("SAMA").

4.20 Foreign currencies

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the statement of income, except when they relate to items where gains or losses are recognized directly in other comprehensive income and the gain or loss is recognised net of the exchange component in equity.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.21 Dividend distribution

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

4.22 Segmental reporting

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

- General
- Motor
- Health
- Protection and savings

Operating segments do not include shareholders' operations of the Company. Income earned from investments is the only revenue generating activity in shareholders operations. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis.

Operating segments are reported in a manner consistent with the internal reporting to the Chief Executive Officer. The Chief Executive Officer is the key decision maker and is responsible for allocating resources, assessing performance and making strategic decisions of the operating segments. No inter-segment transactions occurred during the year.

4.23 Seasonality of operations

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

5. CASH AND CASH EQUIVALENTS

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

	Takaful operations	
SAR'000	**December 31, 2018**	December 31, 2017
Bank balances and cash	**205,425**	316,460
Deposits maturing within 3 months from the acquisition date	**150,000**	250,000
Cash and cash equivalents in the statement of cash flow	**355,425**	566,460
Less : Impairment loss	**(65)**	(175)
Cash and bank balances, net	**355,360**	566,285
Deposits against letters of guarantee	**14,437**	12,997
Total	**369,797**	579,282

	Shareholders' operations	
SAR'000	**December 31, 2018**	December 31, 2017
Bank balances and cash	**71,515**	319
Deposits maturing within 3 months from the acquisition date	**50,000**	250,000
Cash and cash equivalents in the statement of cash flow	**121,515**	250,319
Less : Impairment loss	**(38)**	(68)
Cash and bank balances, net	**121,477**	250,251
Cash at banks (statutory deposit income)	**908**	908
Total	**122,385**	251,159
Total	**492,182**	830,441

6. CONTRIBUTIONS AND RE-TAKAFUL BALANCES RECEIVABLE - NET

Receivables comprise amounts due from the following:

SAR'000	December 31, 2018	December 31, 2017
Policyholders	**224,746**	107,328
Brokers and agents	**47,858**	44,879
Related parties	**253,255**	143,801
Receivables from re-takaful	**8,918**	5,763
	534,777	301,771
Provision for doubtful receivables	**(78,202)**	(38,486)
Contributions and re-takaful balances receivable – net	**456,575**	263,285

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

	2018	2017
	SAR'000	
Balance, January 1	**38,486**	33,169
Provision for the year	**50,528**	5,317
Write-offs	**(10,812)**	-
Balance, December 31	**78,202**	38,486

As at December 31, the ageing of receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired		Past due and impaired		
			Less than 30 days	31 - 90 days	91 - 180 days	181 - 360 days	More than 360 days
Contributions and Re-Takaful Receivables							
- Policyholders'	**224,746**	**97,291**	**37,101**	**25,265**	**14,380**	**39,283**	**11,426**
- Brokers and agents	**47,858**	**17,362**	**3,871**	**12,023**	**1,159**	**2,867**	**10,576**
- Due from related parties	**253,255**	**1,515**	**105,634**	**142,197**	**401**	**175**	**3,333**
- Receivable from Re-Takaful	**8,918**	**-**	**1,858**	**1,560**	**2,294**	**2,448**	**758**
2018	**534,777**	**116,168**	**148,464**	**181,045**	**18,234**	**44,773**	**26,093**

	Total	Neither past due nor impaired	Past due but not impaired		Past due and impaired		
			Less than 30 days	31 - 90 days	91 - 180 days	181 - 360 days	More than 360 days
Contributions and Re-Takaful Receivables							
- Policyholders'	107,328	22,904	7,659	39,739	5,231	8,392	23,403
- Brokers and agents	44,879	12,863	6,375	10,576	3,758	3,869	7,438
- Due from related parties	143,801	3,817	90,402	42,459	1,298	4,706	1,119
- Receivable from Re-Takaful	5,763	-	147	3,495	457	1,072	592
2017	301,771	39,584	104,583	96,269	10,744	18,039	32,552

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

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 five largest customers accounts for 57.9% (December 31, 2017: 56.0%) of the premiums receivable as at December 31, 2018.

7. PROPERTY AND EQUIPMENT

	Office and electrical equipment SAR'000	Furniture and fixtures SAR'000	Motor vehicles SAR'000	Computer hardware SAR'000	Computer software SAR'000	Total SAR'000
Cost:						
Balance at January 1, 2018	3,502	20,861	1,719	11,070	30,793	67,945
Additions during the year	312	1,327	-	4,494	1,578	7,711
Disposals during the year	(42)	-	-	-	(330)	(372)
Balance at December 31, 2018	**3,772**	**22,188**	**1,719**	**15,564**	**32,041**	**75,284**
Accumulated depreciation:						
Balance at January 1, 2018	2,548	15,947	1,204	8,047	21,263	49,009
Charge for the year (note 15)	334	1,341	256	4,703	1,300	7,934
Disposals during the year	(42)	-	-	-	(330)	(372)
Balance at December 31, 2018	**2,840**	**17,288**	**1,460**	**12,750**	**22,233**	**56,571**
Net book value as at						
December 31, 2018	**932**	**4,900**	**259**	**2,814**	**9,808**	**18,713**
December 31, 2017	954	4,914	515	3,023	9,530	18,936

8. STATUTORY DEPOSIT

Statutory deposit amounting to SAR 40 million (December 2017: SAR 40 million) kept with a local bank, represents 10% of the paid up share capital of the Company which is maintained in accordance with the Cooperative Insurance Companies Control Law issued by the Saudi Arabian Monetary Authority ("SAMA"). This statutory deposit cannot be withdrawn without the consent of SAMA. Under ECL method the Company charged an impairment loss amounting to SAR 0.03 million.(2017: SAR 0.03 million)

9. INVESTMENTS

Investments are classified as follows:

		Takaful operations	
SAR'000	**Notes**	**December 31, 2018**	December 31, 2017
- Investments mandatorily measured at FVSI (mutual funds)	**9 (a)**	**129,853**	124,829
- Investments designated as FVOCI (equity shares)	**9 (b)**	**25,327**	-
- Investments held at amortised cost (deposits and sukuks)	**9 (c)**	**1,703,637**	1,284,094
Total		**1,858,817**	1,408,923

		Shareholders' operations	
SAR'000		**December 31, 2018**	December 31, 2017
- Investments mandatorily measured at FVSI (mutual funds)	9 (a)	**33,975**	32,481
- Investments designated as FVOCI (equity shares)	9 (b)	**130,135**	84,766
- Investments held at amortised cost (deposits and sukuks)	9 (c)	**85,009**	85,016
Total		**249,119**	202,263

9. INVESTMENTS (continued)

Movement in the investment balance is as follows:

a) Investments mandatorily measured at FVSI (mutual funds)

SAR'000	Takaful operations	
	December 31, 2018	December 31, 2017
At the beginning of the year	**124,829**	13,101
Reclassification of investment from AFS to FVSI*	**-**	15,096
Purchased during the year	**1,215,073**	2,392,671
Sold during the year	**(1,211,077)**	(2,297,000)
Net change in fair values during the year	**1,028**	961
At the end of the year	**129,853**	124,829

SAR'000	Shareholders' operations	
	December 31, 2018	December 31, 2017
At the beginning of the year	**32,481**	82,047
Reclassification of equity investments from FVSI to FVOCI*	**-**	(82,047)
Reclassification of investment from AFS to FVSI*	**-**	84,380
Purchased during the year	**545,000**	552,486
Sold during the year	**(543,712)**	(604,474)
Net change in fair values during the year	**206**	89
At the end of the year	**33,975**	32,481
Total	**163,828**	157,310

*Reclassifications were made in 2017 on adoption of IFRS 9. No reclassifications were made in 2018.

9. INVESTMENTS (continued)

b) Investments designated as FVOCI (equity shares)

SAR'000	Takaful operations December 31, 2018	Takaful operations December 31, 2017
Opening balance	-	-
Purchases	31,038	-
Disposals	-	-
Changes in fair value of investments	(5,711)	-
Closing balance	25,327	-

SAR'000	Shareholders' operations December 31, 2018	Shareholders' operations December 31, 2017
At the beginning of the year	-	-
Re-classified from FVSI*	-	82,047
Balance of equity shares portfolio with Al Rajhi Capital	78,738	79,648
Cash balance with Al Rajhi Capital	(22)	2,399
Equity - unlisted shares	6,050	1,923
Total at the beginning of the period	84,766	83,970
Movement during the year		
Purchased during the year	94,448	62,139
Sold during the year	(59,899)	(60,472)
Net change in fair values during the year	10,712	1,552
Net change in cash balance with Al Rajhi Capital	108	(2,423)
Closing balance of equity shares portfolio	130,135	84,766
Portfolio balance with Al Rajhi Capital at the end of the year	122,507	78,738
Cash balance with Al Rajhi Capital	86	(22)
Equity - unlisted shares	7,542	6,050
At the end of the year	130,135	84,766
Total	155,462	84,766

*Reclassifications were made in 2017 on adoption of IFRS 9. No reclassifications were made in 2018.

9. INVESTMENTS (continued)

c) Investments held at amortised cost (deposits and sukuks)

Investments in Murabaha deposits and Sukuks are classified as investments measured at amortised cost. The Company's business model for these investments is to hold to collect the contractual cash flows. The cash flows of Murabaha deposits and Sukuks represent solely payments of principal and profit on the principal outstanding.

The movement during the year is set out below:

	Takaful operations	
SAR'000	**December 31, 2018**	December 31, 2017
At the beginning of the year:		
Murabaha deposits	**1,235,000**	655,000
Sukuk	**50,000**	50,000
Purchases	**1,090,000**	1,535,000
Disposals/Maturities	**(670,000)**	(955,000)
At the end of the year, gross	**1,705,000**	1,285,000
Less: Impairment loss	**(1,363)**	(906)
At the end of the year, net	**1,703,637**	1,284,094

	Shareholders' operations	
SAR'000	**December 31, 2018**	December 31, 2017
At the beginning of the year	**85,074**	180,000
Purchased during the year	**280,000**	330,109
Maturities during the year	**(280,000)**	(425,035)
At the end of the year, gross	**85,074**	85,074
Less: Impairment loss	**(65)**	(58)
At the end of the year, net	**85,009**	85,016
Total	**1,788,646**	1,369,110

d) Maximum exposure to credit risk – financial instruments subject to ECL

The following tables contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets measured at amortised cost below also represents the Company's maximum exposure to credit risk on these assets.

i) Takaful operations

December 31, 2018

Financial statement line item	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	December 31, 2017
	12-month ECL	Lifetime ECL	Lifetime ECL		
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Bank balances	**368,648**	-	-	**368,648**	579,457
Investments held at amortised cost	**1,705,000**	-	-	**1,705,000**	1,285,000
Gross carrying amount	**2,073,648**	-	-	**2,073,648**	1,864,457
Loss allowance	**(1,428)**	-	-	**(1,428)**	(1,082)
Carrying amount	**2,072,220**	-	-	**2,072,220**	1,863,375

December 31, 2018

Credit grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	December 31, 2017
	12-month ECL	Lifetime ECL	Lifetime ECL		
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Investment grade	**2,073,648**	-	-	**2,073,648**	1,864,457
Non investment grade	-	-	-	-	-
Gross carrying amount	**2,073,648**	-	-	**2,073,648**	1,864,457
Loss allowance	**(1,428)**	-	-	**(1,428)**	(1,082)
Carrying amount	**2,072,220**	-	-	**2,072,220**	1,863,375

The Company's exposures to credit risk are not collateralized.

Investment grade includes those investments having credit exposure equivalent to Standard and Poor's rating of AAA to BBB. Non investment grade represents un-rated exposures.

d) Maximum exposure to credit risk – financial instruments subject to ECL (continued)

ii) Shareholders' operations

Financial statement line item	**December 31, 2018**				December 31, 2017
	Stage 1	**Stage 2**	**Stage 3**	**Total**	
	12-month ECL	Lifetime ECL	Lifetime ECL		
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Bank balances	**122,385**	-	-	**122,385**	251,227
Investments held at amortised cost	**85,074**	-	-	**85,074**	85,074
Statutory deposit	**40,000**	-	-	**40,000**	40,000
Gross carrying amount	**247,459**	-	-	**247,459**	376,301
Loss allowance	**(134)**	-	-	**(134)**	(158)
Carrying amount	**247,325**	-	-	**247,325**	376,143

Credit grade	**December 31, 2018**				December 31, 2017
	Stage 1	**Stage 2**	**Stage 3**	**Total**	
	12-month ECL	Lifetime ECL	Lifetime ECL		
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Investment grade	**247,459**	-	-	**247,459**	376,301
Non investment grade	-	-	-	-	-
Gross carrying amount	**247,459**	-	-	**247,459**	376,301
Loss allowance	**(134)**	-	-	**(134)**	(158)
Carrying amount	**247,325**	-	-	**247,325**	376,143

The Company's exposures to credit risk are not collateralized.

Investment Grade includes those investments having credit exposure equivalent to Standard and Poor's rating of AAA to BBB. Non investment grade represents un-rated exposures.

e) Loss allowance

The loss allowance recognised in the period and the change in the loss allowance between the beginning and the end of the annual period is given below.

i) Takaful operations:

	Stage 1 12-month ECL SAR'000	**Stage 2** Lifetime ECL SAR'000	**Stage 3** Lifetime ECL SAR'000	**Total** SAR'000
Loss allowance as at January 1, 2018	**1,081**	-	-	**1,081**
Movements with the statement of income				
Transfers:				
Transfer from stage 1 to stage 2	-	-	-	-
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	-	-	-	-
New financial assets originated or purchased	**943**	-	-	**943**
Net re-measurement of loss allowance	**196**	-	-	**196**
Financial assets derecognised during the period	**(792)**	-	-	**(792)**
Write-offs		-	-	-
Total loss allowance for the year	**347**	-	-	**347**
Loss allowance as at December 31, 2018	**1,428**	-	-	**1,428**

ii) Shareholders' operations:

	Stage 1 12-month ECL SAR'000	**Stage 2** Lifetime ECL SAR'000	**Stage 3** Lifetime ECL SAR'000	**Total** SAR'000
Loss allowance as at January 1, 2018	**158**	-	-	**158**
Movements with the statement of income				
Transfers:				
Transfer from stage 1 to stage 2	-	-	-	-
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	-	-	-	-
New financial assets originated or purchased	**294**	-	-	**294**
Net re-measurement of loss allowance	**5**	-	-	**5**
Financial assets derecognised during the year	**(323)**	-	-	**(323)**
Write-offs		-	-	-
Total reversal in loss allowance for the year	**(24)**	-	-	**(24)**
				-
Loss allowance as at December 31, 2018	**134**	-	-	**134**

10. TECHNICAL RESERVES

10.1 Net outstanding claims and reserves

a) Net outstanding claims and reserves comprise of the following:

SAR'000	December 31, 2018	December 31, 2017
Outstanding claims	677,569	411,085
Less: Realizable value of salvage and subrogation	(113,473)	(131,959)
	564,096	279,126
Claims incurred but not reported	731,714	614,104
Contribution deficiency reserve	9,034	-
	1,304,844	893,230
Unit linked liabilities at FVSI	52,336	30,595
	1,357,180	923,825
Less:		
Re-takaful share of outstanding claims	371,580	97,339
Re-takaful share of claims incurred but not reported	13,411	45,134
	384,991	142,473
Net outstanding claims and reserves	972,189	781,352

b) claim development:

The following table shows the estimates of cumulative incurred claims, including both claims notified and incurred but not reported for each successive accident year at each reporting date, together with cumulative payments to date.

Gross insurance contract outstanding claims provision for 2018:

Accident year	*2014 & prior years SAR'000*	*2015 SAR'000*	*2016 SAR'000*	*2017 SAR'000*	*2018 SAR'000*	*Total SAR'000*
Estimate of ultimate claims cost at end of accident year	1,569,641	1,168,238	1,197,584	2,211,659	2,576,902	2,576,902
One year later	1,589,806	1,434,800	1,609,322	2,295,822	-	2,295,822
Two years later	1,651,569	1,499,560	1,631,959	-	-	1,631,959
Three years later	1,667,669	1,504,178	-	-	-	1,504,178
Four years later	1,668,903	-	-	-	-	1,668,903
Current estimate of cumulative claims incurred	1,668,903	1,504,178	1,631,959	2,295,822	2,576,902	9,677,764
Cumulative payments to date	1,665,183	1,487,685	1,588,261	2,094,993	1,536,798	8,372,920
Total gross insurance outstanding claims provision per the statement of financial position	3,720	16,493	43,698	200,829	1,040,104	1,304,844

10. TECHNICAL RESERVES (Continued)

10.1 Net outstanding claims and reserves (Continued)

b) claim development:(continued)

Gross insurance contract outstanding claims provision for 2017:

Accident year	*2013 & prior years SAR'000*	*2014 SAR'000*	*2015 SAR'000*	*2016 SAR'000*	*2017 SAR'000*	*Total SAR'000*
Estimate of ultimate claims cost at end of accident year	866,457	703,184	1,168,238	1,197,584	2,211,659	2,211,659
One year later	852,460	737,346	1,434,800	1,609,322	-	1,609,322
Two years later	879,425	772,144	1,499,560	-	-	1,499,560
Three years later	886,387	781,282	-	-	-	781,282
Four years later	890,068	-	-	-	-	890,068
Current estimate of cumulative claims incurred	890,068	781,282	1,499,560	1,609,322	2,211,659	6,991,891
Cumulative payments to date	886,866	778,507	1,461,548	1,565,306	1,406,434	6,098,661
Total gross insurance outstanding claims provision per the statement of financial position	3,202	2,775	38,012	44,016	805,225	893,230

10.2 Movement in unearned contributions

Movement in unearned contributions comprise of the following:

	For the year ended December 31, 2018			
SAR'000	**Gross**	**Re-takaful**	**XOL**	**Net**
Balance at the beginning of the year	**1,304,110**	**(91,709)**	**-**	**1,212,401**
Contribution written during the year	**2,973,594**	**(95,594)**	**(14,997)**	**2,863,003**
Contribution earned during the year	**(2,975,071)**	**98,845**	**14,997**	**(2,861,229)**
Balance at the end of the year	**1,302,633**	**(88,458)**	**-**	**1,214,175**

	For the year ended December 31, 2017			
SAR'000	Gross	Re-takaful	XOL	Net
Balance at the beginning of the year	996,386	(69,666)	-	926,720
Contribution written during the year	3,193,474	(105,981)	(14,475)	3,073,018
Contribution earned during the year	(2,885,750)	83,938	14,475	(2,787,337)
Balance at the end of the year	1,304,110	(91,709)	-	1,212,401

10. TECHNICAL RESERVES (Continued)

10.3 Movement in deferred policy acquisition costs

SAR '000	December 31, 2018	December 31, 2017
Balance at the beginning of the year	35,789	30,366
Incurred during the year	134,601	99,879
Amortized / written off during the year	(109,522)	(94,456)
Balance at the end of the year	60,868	35,789

10.4 Movement in unearned Re-takaful commission income

SAR '000	December 31, 2018	December 31, 2017
Balance at the beginning of the year	7,072	6,728
Incurred during the year	13,481	12,587
Amortized during the year	(14,551)	(12,243)
Balance at the end of the year	6,002	7,072

11. COMMITMENTS AND CONTIGENCIES

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

SAR'000	December 31, 2018	December 31, 2017
Letters of guarantee	14,437	12,997
Total	14,437	12,997

b) The Company enters into takaful contracts and is subject to legal proceedings in the normal course of business. While it is not practicable to forecasted or determine the final results of all the pending and threatened legal proceedings, management does not believe that any such proceedings (including litigation) that are in progress at reporting date will have a material effect on its results and financial position. At the reporting date, cases with a total exposure of approximately SAR 11,000 thousand (2017: SAR 7,621 thousand) are pending in courts.

12. PAYABLE, ACCRUALS AND OTHER LIABILITIES

SAR '000	December 31, 2018	December 31, 2017
Payables to policyholders against claims	17,920	8,597
Accrued expenses	30,211	34,410
Marketing representative commissions	22,292	37,332
Provision for leave encashment	1,463	1,513
Payable to GAZT	22,174	17,695
Other liabilities	38,048	12,727
	132,108	112,274

13. END OF SERVICE BENEFITS (EOSB)

13.1 General description

The Company operates an end of service benefit scheme for its employees based on the prevailing Saudi Labor Laws. The liability in respect of the scheme is estimated by a qualified actuary in accordance with International Accounting Standard 19 - Employee Benefits, using "Projected Unit Credit Method".

13.2 Movement of defined benefit obligation

	December 31, 2018	December 31, 2017
	SAR'000	
Opening balance	**10,283**	9,871
Charge to statement of income	**5,477**	2,002
Charge to statement of comprehensive income	**187**	-
Payment of benefits during the year	**(828)**	(1,590)
Closing balance	**15,119**	10,283

	December 31, 2018	December 31, 2017
	SAR'000	
Present value of defined benefit obligation as at January 1	**10,283**	9,871
Current service costs	**4,963**	1,737
Financial costs	**514**	265
Remeasurement (loss)/ gain from experience adjustments	**187**	-
Benefits paid during the year	**(828)**	(1,590)
Present value of defined benefit obligation as at December 31	**15,119**	10,283

13.4 Principal actuarial assumptions

The following range of significant actuarial assumptions was used by the Company for the valuation of post-employment benefit liability:

Basic actuarial assumptions as at:	**December 31, 2018**	December 31, 2017
Valuation discount rate	**3.4%**	3.4%
Expected rate of increase in salary level across different age bands	**0.5%**	0.5%

Assumptions regarding future mortality are set based on actuarial advice in accordance with the published statistics and experience in the region.

Sensitivity analysis

Reasonably possible changes as to one of the acuarial assumptions, holding other assumptions constant, the amount of defined benefit obligations would have been:

	December 31, 2018	
	SAR'000	
	Increase	**Decrease**
Discount rate (1.0% movement)	**12,468**	**18,517**
Future salary growth (0.5% movement)	**16,686**	**13,726**

	December 31, 2018	
	SAR'000	
	Increase	Decrease
Discount rate (1.0% movement)	9,264	13,814
Future salary growth (0.5% movement)	12,508	10,141

14. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

Determination of fair value and fair value hierarchy

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

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

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

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

a. Carrying amounts and fair value

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value.

Determination of fair value and fair value hierarchy (continued)

a. Carrying amounts and fair value (continued)

		Fair value			
SAR'000s	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
December 31, 2018					
Financial assets measured at fair value					
- Investments mandatorily measured at FVSI	**163,828**	**163,828**	-	-	**163,828**
- Investments designated as FVOCI – Quoted securities	**147,920**	**147,920**	-	-	**147,920**
- Investments designated as FVOCI – Unquoted securities	**7,542**	-	-	**7,542**	**7,542**
	319,290	**311,748**	-	**7,542**	**319,290**
Financial assets not measured at fair value					
- Cash and cash equivalents	**491,033**	-	-	-	**491,033**
- Investments held at amortised cost	**1,788,646**	-	-	-	**1,788,646**
- Statutory deposit	**39,969**	-	-	-	**39,969**
- Other assets	**21,680**	-	-	-	**21,680**
	2,341,328	-	-	-	**2,341,328**

		Fair value			
SAR'000s	Carrying value	Level 1	Level 2	Level 3	Total
December 31, 2017					
Financial assets measured at fair value					
- Investments mandatorily measured at FVSI	157,310	88,857	-	68,453	157,310
- Investments designated as FVOCI – Quoted securities	78,716	78,716	-	-	78,716
- Investments designated as FVOCI – Unquoted securities	6,050	-	-	6,050	6,050
	242,076	167,573	-	74,503	242,076
Financial assets not measured at fair value					
- Cash and cash equivalents	830,441	-	-	-	830,441
- Investments held at amortised cost	1,369,110	-	-	-	1,369,110
- Statutory deposits at amortised cost	39,968	-	-	-	39,968
- Other assets	18,171	-	-	-	18,171
	2,257,690	-	-	-	2,257,690

The fair values of the financial assets not measured at fair value are not materially different from their carrying values.

Determination of fair value and fair value hierarchy (continued)

a. Carrying amounts and fair value (continued)

		Fair value			
SAR'000s	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
December 31, 2018					
Financial liabilities measured at fair value					
- Unit linked liabilities at FVSI	**52,336**	**52,336**	-	-	**52,336**
	52,336	**52,336**	-	-	**52,336**

		Fair value			
SAR'000s	Carrying value	Level 1	Level 2	Level 3	Total
December 31, 2017					
Financial liabilities measured at fair value					
- Unit linked liabilities at FVSI	30,595	30,595	-	-	30,595
	30,595	30,595	-	-	30,595

i) Level 3 fair values

Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

Takaful operations

SAR'000s	**Financial assets mandatorily measured at FVSI**
Balance at January 1, 2018	**68,453**
Purchases	-
Sales	-
Transfer out of Level 3	**(68,453)**
Gain / loss included in statement of income	-
Balance at December 31, 2018	-

Shareholders' operations

SAR'000s	**Financial assets at FVOCI – Unquoted securities**
Balance at January 1, 2018	**6,050**
Purchases	-
Sales	-
Gain / loss included in statement of income	-
Gain / loss included in OCI	**1,492**
Balance at December 31, 2018	**7,542**

i) Level 3 fair values (continued)

Reconciliation of Level 3 fair values
Takaful operations

SAR'000s	Financial assets mandatorily measured at FVSI
Balance at January 1, 2017	-
Purchases	68,453
Sales	-
Gain / loss included in statement of income	-
Balance at December 31, 2017	68,453

Shareholders' operations

SAR'000s	Financial assets at FVOCI – Unquoted securities
Balance at January 1, 2017	1,923
Purchases	-
Sales	-
Gain included in OCI	4,127
Balance at December 31, 2017	6,050

The fair value of unquoted securities at level 3 is not materially different than its cost price.

Transfer out of level 3

The Company holds an investment in Alimna Makkah Real Estate Fund, which is classified as FVSI, with a fair value of SAR 68.33 million at December 31, 2018. The fair value of the investment was previously categorized as Level 3 at December 31, 2017. The inception date of fund was November 9, 2017 and, accordingly, as at December 31, 2017, the fair value of this investment was not materially different than its cost price.

As at December 31, 2018, these have been valued based on the valuation received from the fund manager, and accordingly, classified as level 1. The underlying assets of the fund does not include any asset which require fair value adjustment. The mutual fund is quoted and traded through the fund manager's portal.

15. GENERAL AND ADMINISTRATIVE EXPENSES

	Notes	**December 31, 2018**	December 31, 2017
		SAR'000	
Employee costs		**169,855**	117,486
Office expenses		**11,819**	10,164
Depreciation	7	**7,934**	8,037
Legal and professional fees		**20,041**	23,975
Information technology expenses		**11,875**	7,177
Advertising and marketing expenses		**5,341**	2,219
Communication expenses		**1,670**	1,548
Travel and lodging expenses		**3,947**	2,727
Others		**481**	268
		232,963	173,601

16. Related party transactions and balances

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

	Transactions for the year ended		**Balance receivable / (payable) as at**	
	December 31, 2018	December 31, 2017	**December 31, 2018**	December 31, 2017
	SAR'000			
Major shareholders				
Gross contribution written	**1,050,802**	1,339,545	**249,872**	121,017
Claims paid	**893,069**	1,023,048	**(2,172)**	(3,743)
Claims incurred and notified during the period	**894,571**	1,047,137	**(148,001)**	(146,500)
Reimbursement from related party	**340**	239	-	340
Bank Balance	-	-	**274,705**	289,236
Investment in shares of Al Rajhi Banking and Investment Corporation	-	-	**25,901**	13,679
Entities controlled, jointly controlled or significantly influenced by related parties				
Gross contribution written	**29,323**	24,201	**3,382**	22,784
Claims paid	**77,295**	16,441	-	(1,148)
Claims incurred and notified during the period	**333,532**	15,072	**(277,417)**	(14,784)
Investments managed by affiliates	**6,114**	745	**95,500**	88,857
Income received from sale of investment in Al Rajhi Capital commodity fund	**5,944**	7,955	-	-
Investment management fee paid to Al Rajhi Capital Company	**3,251**	2,257	-	-
Commission to Al Rajhi Takaful Agency	**1,558**	2,778	**1,701**	2,855

The compensation of key management personnel during the period is as follows:

	For the year ended	
	December 31, 2018	December 31, 2017
	SAR'000	
Salaries and other allowances	**6,198**	7,300
End of service indemnities	**2,424**	1,942
	8,622	9,242
Shariah committee remuneration	**340**	200

17. ZAKAT AND INCOME TAX

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

a) The zakat charge for the year has been computed as follows:

	December 31, 2018 SAR'000	December 31, 2017 SAR'000
Equity	**598,060**	429,363
Opening allowances and other adjustments	**62,130**	61,431
Book value of long term assets	**(125,632)**	(100,775)
	534,558	390,019
Zakatable income for the year	**245,442**	229,981
Zakat base	**780,000**	620,000
Zakat @ 2.5%	**19,500**	15,500

The differences between the income as per the financial statements and zakatable income (income subject to zakat which is computed based on zakat rules) for the year used for zakat base is mainly due to provisions, which are not allowed in the calculation of zakatable income.

b) Movements in zakat accrued are as follows:

	December 31, 2018 SAR'000	December 31, 2017 SAR'000
At the beginning of the year	**26,490**	18,391
Provided during the year	**19,500**	15,500
Payments during the year	**(12,301)**	(7,401)
Balance at the end of the year	**33,689**	26,490

Shareholdings

Following are the shareholding structure of the Company as on:

	December 31, 2018	December 31, 2017
Shareholding subject to Zakat	100.00%	100.00%

Status of assessments

The Company had filed zakat and income tax returns with the General Authority of Zakat and Tax ("GAZT") for the years from 2010 to 2017.

For the year 2011, the Company has filed an appeal to recover the additional paid zakat against the additional zakat assessment of SAR 1.852 million raised by the GAZT. The appeal is still pending, accordingly no receivable is recorded or contingent asset is disclosed.

18. UNIT LINKED LIABILITIES AT FVSI

The movement during the year in financial liabilities at fair value through profit or loss is set out below:

	December 31, 2018	December 31, 2017
	SAR'000	SAR'000
At the beginning of the year	30,595	14,196
Net changes in reserve during the year	20,784	15,438
Net change in fair values during the year	957	961
At the end of the year	52,336	30,595

19. Takaful operations' surplus payable

	December 31, 2018	December 31, 2017
	SAR'000	SAR'000
Opening surplus distribution payable as at January 1	34,442	16,111
Adjustments on initial adoption of IFRS-9	-	(569)
Total income attributed to the insurance operations during the year	18,770	18,900
Surplus paid to policy holders	(5,976)	-
Closing surplus distribution payable as at December 31	47,236	34,442

20. SHARE CAPITAL

The authorized, issued and paid up capital of the Company was SAR 400 million at December 31, 2018 (December 31, 2017: SAR 400 million) consisting of 40 million shares (December 31, 2017: 40 million shares) of SAR 10 each.

Shareholding structure of the Company is as below. The shareholders of the Company are subject to zakat.

	December 31, 2018		
	Authorized and issued		Paid up
	No. of shares	SAR'000	
Al Rajhi Insurance Co. Ltd. (Bahrain)	10,600,000	106,000	106,000
Al Rajhi Banking and Investment Corporation	9,000,000	90,000	90,000
Oman Insurance Company - Dubai	2,400,000	24,000	24,000
Others	18,000,000	180,000	180,000
	40,000,000	400,000	400,000

	December 31, 2017		
	Authorized and issued		Paid up
	No. of Shares	SAR'000	
Al Rajhi Insurance Co. Ltd. (Bahrain)	10,600,000	106,000	106,000
Al Rajhi Banking and Investment Corporation	9,000,000	90,000	90,000
Oman Insurance Company - Dubai	2,400,000	24,000	24,000
Others	18,000,000	180,000	180,000
	40,000,000	400,000	400,000

21. CAPITAL MANAGEMENT

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

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

The operations of the Company are subject to local regulatory requirements within the jurisdiction where it is incorporated. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise.

The Company maintains its capital as per guidelines laid out by SAMA in Article 66 table 3 and 4 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained. According to the said Article, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:
Minimum Capital Requirement of SAR 200 million
Premium Solvency Margin
Claims Solvency Margin

The Company is in compliance with all externally imposed capital requirements with sound solvency margin. The capital structure of the Company as at December 31, 2018 consists of paid-up share capital of SAR 400 million, statutory reserves of SAR 91.3 million and retained earnings of SAR 270.7 million (December 31, 2017: paid-up share capital of SAR 400 million, statutory reserves of SAR 54.3 million and retained earnings of SAR 142.2 million.) in the statement of financial position

22. EARNINGS PER SHARE ("EPS")

Earnings per share for the year ended December 31, 2018 and 2017 is calculated by dividing the net income for the period attributable to the equity holders by 40 million shares. There were no dilutive potential shares in issue as at Dec 31, 2018 and 2017.

23. OPERATING SEGMENTS

Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the Company's Chief Executive Officer as his function as key decision maker in order to allocate resources to the segments and to assess its performance.

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the Board is measured in a manner consistent with that in the condensed income statement. Segment assets and liabilities comprise operating assets and liabilities.

There have been no changes to the basis of segmentation or the measurement basis for the segment surplus or deficit since December 31, 2017.

Segment assets do not include takaful operations' bank balances and cash, net contributions receivable, investments etc., accordingly, they are included in unallocated assets. Segment liabilities do not include takaful operations' payables accruals and other liabilities and re-takaful balances payable etc., accordingly, they are included in unallocated liabilities.

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

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at December 31, 2018 and December 31, 2017, its total revenues, expenses, and net income for year ended, are as follows:

As at December 31, 2018

	Takaful operations						
Operating segments	**Medical**	**Motor**	**Property & casualty**	**Protection & Savings**	**Total - Takaful operations**	**Shareholders' operations**	**Total**
				SAR'000			
Assets:							
Cash and cash equivalents	-	-	-	-	369,797	122,385	492,182
Contributions and re-takaful balances receivable – net	-	-	-	-	456,575	-	456,575
Re-takaful share of unearned contributions	-	35,746	51,231	1,481	88,458	-	88,458
Re-takaful share of outstanding claims	-	10,019	365,339	9,633	384,991	-	384,991
Deferred policy acquisition costs	28,845	28,359	3,253	411	60,868	-	60,868
Investments mandatorily measured at FVSI	-	-	-	-	129,853	33,975	163,828
Investments designated as FVOCI	-	-	-	-	25,327	130,135	155,462
Investments held at amortised cost	-	-	-	-	1,703,637	85,009	1,788,646
Unallocated assets	-	-	-	-	(361,994)	493,825	131,831
Total assets	28,845	74,124	419,823	11,525	2,857,512	865,329	3,722,841
Liabilities:							
Unearned contributions	361,798	873,955	62,485	4,395	1,302,633	-	1,302,633
Unearned re-takaful commission	-	-	6,002	-	6,002	-	6,002
Gross outstanding claims	140,721	778,730	370,507	14,886	1,304,844	-	1,304,844
Unallocated liabilities and surplus	-	-	-	-	244,033	865,329	1,109,362
Total liabilities and surplus	502,519	1,652,685	438,994	19,281	2,857,512	865,329	3,722,841

As at December 31, 2017

	Takaful operations						
Operating segments	Medical	Motor	Property & casualty	Protection & Savings	Total - Takaful operations	Shareholders' operations	Total
				SAR'000			
Assets:							
Cash and cash equivalents	-	-	-	-	579,282	251,159	830,441
Contributions and re-takaful balances receivable – net	-	-	-	-	263,285	-	263,285
Re-takaful share of unearned contributions	-	27,756	61,305	2,648	91,709	-	91,709
Re-takaful share of outstanding claims	-	22,612	110,829	9,032	142,473	-	142,473
Deferred policy acquisition costs	12,662	11,992	10,777	358	35,789	-	35,789
Investments mandatorily measured at FVSI	-	-	-	-	124,829	32,481	157,310
Investments designated as FVOCI	-	-	-	-	-	84,766	84,766
Investments held at amortised cost	-	-	-	-	1,284,094	85,016	1,369,110
Unallocated assets	-	-	-	-	(105,197)	216,661	111,464
Total assets	12,662	62,360	182,911	12,038	2,416,264	670,083	3,086,347
Liabilities:							
Unearned contributions	204,819	931,898	164,005	3,388	1,304,110	-	1,304,110
Unearned re-takaful commission	-	-	7,072	-	7,072	-	7,072
Gross outstanding claims	101,415	661,300	118,962	11,553	893,230	-	893,230
Unallocated liabilities and surplus	-	-	-	-	211,852	670,083	881,935
Total liabilities and surplus	306,234	1,593,198	290,039	14,941	2,416,264	670,083	3,086,347

	For the year ended December 31, 2018				
Operating segments	**Medical**	**Motor**	**Property & casualty**	**Protection & Savings**	**Total**
			SAR'000		
REVENUES					
Gross contributions written	694,266	2,101,099	101,279	76,950	2,973,594
Re-takaful contributions ceded	(1,055)	(10,741)	(72,294)	(11,504)	(95,594)
Excess of loss expenses (XOL)	-	(10,125)	(4,872)	-	(14,997)
Net contributions written	693,211	2,080,233	24,113	65,446	2,863,003
Changes in unearned contributions, net	(156,979)	157,010	369	(2,174)	(1,774)
Net contributions earned	536,232	2,237,243	24,482	63,272	2,861,229
Re-takaful commission income	37	1,901	12,402	211	14,551
Other underwriting income	(5)	4,488	298	1,191	5,972
TOTAL REVENUES	536,264	2,243,632	37,182	64,674	2,881,752
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid and loss adjustment expenses	(464,337)	(1,688,752)	(85,426)	(9,310)	(2,247,825)
Surrender and maturities	-	-	-	(3,552)	(3,552)
Re-takaful share of claims paid	-	10,910	81,620	6,928	99,458
Net claims and other benefits paid	(464,337)	(1,677,842)	(3,806)	(5,934)	(2,151,919)
Changes in outstanding claims, net	4,613	(17,709)	3,055	(688)	(10,729)
Changes in incurred but not reported (IBNR) claims, net	(43,922)	(112,311)	(89)	(2,045)	(158,367)
Net claims and other benefits incurred	(503,646)	(1,807,862)	(840)	(8,667)	(2,321,015)
Change in unit linked liabilities at FVSI	-	-	-	(20,784)	(20,784)
Policy acquisition costs	(39,169)	(57,123)	(7,780)	(5,450)	(109,522)
Other underwriting expenses	(12,002)	(15,647)	(2,125)	(388)	(30,162)
TOTAL UNDERWRITING COSTS AND EXPENSES	(554,817)	(1,880,632)	(10,745)	(35,289)	(2,481,483)
NET UNDERWRITING INCOME	(18,553)	363,000	26,437	29,385	400,269
OTHER OPERATING EXPENSES					
Allowance for doubtful debts - contribution and re-takaful balances receivable	-	-	-	-	(50,528)
General and administrative expenses	-	-	-	-	(232,963)
Special commission income	-	-	-	-	65,892
Net gains on investments mandatorily measured at FVSI	-	-	-	-	10,764
Dividend income	-	-	-	-	4,144
Impairment loss on financial assets	-	-	-	-	(323)
Other income	-	-	-	-	6,542
NET INCOME FOR THE YEAR					203,797

	For the year ended December 31, 2017				
Operating segments	Medical	Motor	Property & casualty	Protection & Savings	Total
			SAR'000		
REVENUES					
Gross contributions written	449,560	2,562,800	127,305	53,809	3,193,474
Re-takaful contributions ceded	-	(2,548)	(94,171)	(9,262)	(105,981)
Excess of loss expenses (XOL)	(251)	(12,864)	(1,360)	-	(14,475)
Net contributions written	449,309	2,547,388	31,774	44,547	3,073,018
Changes in unearned contributions, net	(118,780)	(150,486)	(15,991)	(424)	(285,681)
Net contributions earned	330,529	2,396,902	15,783	44,123	2,787,337
Re-takaful commission income	-	654	10,807	782	12,243
Other underwriting income	(10)	9,317	131	756	10,194
TOTAL REVENUES	330,519	2,406,873	26,721	45,661	2,809,774
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid and loss adjustment expenses	(195,671)	(1,853,693)	(20,424)	(3,988)	(2,073,776)
Surrender and maturities	-	-	-	(1,826)	(1,826)
Re-takaful share of claims paid	212	10,901	17,712	3,095	31,920
Net claims and other benefits paid	(195,459)	(1,842,792)	(2,712)	(2,719)	(2,043,682)
Changes in outstanding claims, net	(33,941)	49,071	(2,141)	(58)	12,931
Changes in incurred but not reported (IBNR) claims, net	(29,920)	(285,324)	(840)	(703)	(316,787)
Net claims and other benefits incurred	(259,320)	(2,079,045)	(5,693)	(3,480)	(2,347,538)
Change in unit linked liabilities at FVSI	-	-	-	(15,382)	(15,382)
Policy acquisition costs	(20,426)	(61,381)	(7,094)	(5,555)	(94,456)
Other underwriting expenses	(7,199)	(15,347)	(563)	(179)	(23,288)
TOTAL UNDERWRITING COSTS AND EXPENSES	(286,945)	(2,155,773)	(13,350)	(24,596)	(2,480,664)
NET UNDERWRITING INCOME	43,574	251,100	13,371	21,065	329,110
OTHER OPERATING EXPENSES					
Allowance for doubtful debts - contribution and re-takaful balances receivable	-	-	-	-	(5,317)
General and administrative expenses	-	-	-	-	(173,601)
Special commission income	-	-	-	-	32,629
Net gains on investments mandatorily measured at FVSI	-	-	-	-	7,955
Dividend income	-	-	-	-	3,407
Impairment loss on financial assets	-	-	-	-	(349)
Other income	-	-	-	-	7,936
NET INCOME FOR THE YEAR					201,770

For the year ended December 31, 2018

Customers' category	Medical	Motor	Property & casualty	Protection & Savings	Total
			SAR'000		
GROSS CONTRIBUTION WRITTEN					
Individual	**9,725**	**484,894**	**2,099**	**35,828**	**532,546**
SME	**407,254**	**34,373**	**25,238**	**-**	**466,865**
Corporate	**277,287**	**1,581,832**	**73,942**	**41,122**	**1,974,183**
TOTAL GROSS CONTRIBUTION WRITTEN	**694,266**	**2,101,099**	**101,279**	**76,950**	**2,973,594**

For the year ended December 31, 2017

Customers' category	Medical	Motor	Property & casualty	Protection & Savings	Total
			SAR'000		
GROSS CONTRIBUTION WRITTEN					
Individual	2,189	505,495	2,055	23,829	533,568
SME	241,323	35,834	26,570	-	303,727
Corporate	206,048	2,021,471	98,680	29,980	2,356,179
TOTAL GROSS CONTRIBUTION WRITTEN	449,560	2,562,800	127,305	53,809	3,193,474

24. FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. These risks are an inevitable consequence of participating in financial markets. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Company's financial performance.

The Company's risk management policies, procedures and systems are designed to identify and analyze these risks and to set appropriate risk mitigants and controls. The Company reviews its risk management policies and systems on an ongoing basis to reflect changes in markets, products and emerging best practices.

24.1 Credit risk

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

24. FINANCIAL RISK MANAGEMENT (continued)

24.1 Credit risk (continued)

24.1.1 Credit risk measurement (continued)

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

a. A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.

b. If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.

c. If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

d. Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

e. A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.

The key judgements and assumptions adopted by the Company in addressing the requirements of IFRS 9 are discussed below:

Significant increase in credit risk

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative and qualitative criteria have been met.

Quantitative criteria:

- Downward movement in the external credit rating by two notches;
- Downward movement in the external credit rating by one notch if the revised external credit rating becomes below "investment grade";
- Contractual payments are more than 7 days past due;

Qualitative criteria:

- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the counterparty that results in a significant decrease in the counterparty's ability to meet its obligations to the Company;
- A group company of the counterparty has defaulted and in the Company's opinion repayment capacity of the counterparty would also be significantly impacted.

Definition of default and credit-impaired assets

The Company defines a financial instruments as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:

- Contractual payments are more than 90 days past due;
- Counterparty's refusal to pay the amounts due.

Qualitative criteria:

- Information about the bankruptcy of the counterparty;
- Legal case on recovery proceedings;

The criteria above have been applied to all financial assets other than contribution and re-takaful balances receivable held by the Company and are consistent with the definition of default used for internal risk management purposes. An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six month. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions. For impairment allowance on contribution and re-takaful balances receivable refer note 4.3 and note 6.

24. FINANCIAL RISK MANAGEMENT (continued)

24.1 Credit risk (continued)

24.1.1 Credit risk measurement (continued)

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on consideration of a variety of external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the Kingdom and selected private-sector and academic forecasters. The base case represents a most-likely outcome. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Company considers scenarios in range of 3-5 years horizon (consistent with forecast available from public sources) beyond which long term average macroeconomic conditions prevail. Externally available macroeconomic forecast from Global Rating Agencies and Saudi Arabian Monetary Authority (SAMA) are used for making base case forecast. For other scenarios, adjustment are made to base case forecast based on expert judgement. The Company uses multiple scenarios and probabilities are assigned to each scenario based on expert judgement.

Based on the detailed analysis of the Companies exposures to the credit risk, the management of the Company have opted to benefit from the practical expedient in calculating the expected credit losses provided by IFRS 9 for financial assets with low credit risk. The management of the Company measures impairment using 12-month expected credit losses for its financial assets subject to impairment. The low credit risk financial assets of the Company meet the following requirements of IFRS 9 to measure impairment using 12-month expected credit losses:

- Low credit risk of default;
- The counterparties have a strong capacity to meet their obligations in the near term;
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the counterparties to fulfil their contractual cash flow obligations.

The Company uses external credit risk ratings of well-known and reputable rating agencies to assess the probability of default of individual counterparties.

The Company does not recognise lifetime expected credit losses on a financial instrument simply because it was considered to have low credit risk in the previous reporting period and is not considered to have low credit risk at the reporting date. In such a case, the Company will determine whether there has been a significant increase in credit risk since initial recognition and thus whether lifetime expected credit losses are required to be recognised.

Measuring expected credit losses

The Expected Credit Loss (ECL) is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12-month PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- Loss Given Default (LGD) represents the Company's expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the exposure.

24. FINANCIAL RISK MANAGEMENT (continued)

24.1 Credit risk (continued)

24.1.1 Credit risk measurement (continued)

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective profit rate.

The Lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the exposures. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

a) Maximum exposure to credit risk – financial instruments subject to ECL

The following tables contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets measured at amortised cost below, also represents the Company's maximum exposure to credit risk on these assets.

i) TAKAFUL OPERATIONS

	December 31, 2018				
Financial statement line item	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	December 31, 2017
	12-month ECL	Lifetime ECL	Lifetime ECL		
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Bank balances	**368,648**	-	-	**368,648**	579,457
Investments held at amortised cost	**1,705,000**	-	-	**1,705,000**	1,285,000
Gross carrying amount	**2,073,648**	-	-	**2,073,648**	1,864,457
Loss allowance	**(1,428)**	-	-	**(1,428)**	(1,082)
Carrying amount	**2,072,220**	-	-	**2,072,220**	1,863,375

	December 31, 2018				
Credit grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	December 31, 2017
	12-month ECL	Lifetime ECL	Lifetime ECL		
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Investment grade	**2,073,648**	-	-	**2,073,648**	1,864,457
Gross carrying amount	**2,073,648**	-	-	**2,073,648**	1,864,457
Loss allowance	**(1,428)**	-	-	**(1,428)**	(1,082)
Carrying amount	**2,072,220**	-	-	**2,072,220**	1,863,375

24. FINANCIAL RISK MANAGEMENT (continued)

24.1 Credit risk (continued)

24.1.1 Credit risk measurement (continued)

a) Maximum exposure to credit risk – financial instruments subject to ECL (continued)

ii) SHAREHOLDERS' OPERATIONS

Financial statement line item	December 31, 2018 Stage 1	Stage 2	Stage 3	Total	December 31, 2017
	12-month ECL	Lifetime ECL	Lifetime ECL		
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Bank balances	**122,385**	-	-	**122,385**	251,227
Investments held at amortised cost	**85,074**	-	-	**85,074**	85,074
Statutory deposit	**40,000**	-	-	**40,000**	40,000
Gross carrying amount	**247,459**	-	-	**247,459**	376,301
Loss allowance	**(134)**	-	-	**(134)**	(158)
Carrying amount	**247,325**	-	-	**247,325**	376,143

Credit grade	December 31, 2018 Stage 1	Stage 2	Stage 3	Total	December 31, 2017
	12-month ECL	Lifetime ECL	Lifetime ECL		
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Investment grade	**247,459**	-	-	**247,459**	376,301
Gross carrying amount	**247,459**	-	-	**247,459**	376,301
Loss allowance	**(134)**	-	-	**(134)**	(158)
Carrying amount	**247,325**	-	-	**247,325**	376,143

The Company's exposures to credit risk are not collateralised.

b) Loss allowance

The loss allowance recognised in the period may be impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;

24. FINANCIAL RISK MANAGEMENT (continued)

24.1 Credit risk (continued)

24.1.1 Credit risk measurement (continued)

b) Loss allowance

i) TAKAFUL OPERATIONS

	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
	SAR'000	SAR'000	SAR'000	SAR'000
Loss allowance as at January 1, 2018	**1,081**	-	-	**1,081**
Movements with the statement of income				
Transfers:				
New financial assets originated or purchased	**943**	-	-	**943**
Net re-measurement of loss allowance	**196**	-	-	**196**
Financial assets derecognised during the year	**(792)**	-	-	**(792)**
Write-offs		-	-	-
Total loss allowance for the year	**347**	-	-	**347**
Loss allowance as at December 31, 2018	**1,428**	-	-	**1,428**

	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
	SAR'000	SAR'000	SAR'000	SAR'000
Loss allowance as at January 1, 2017	666	-	-	666
Movements with the statement of income				-
Transfers:				-
New financial assets originated or purchased	2,992	-	-	2,992
Financial assets derecognised during the year	(2,576)	-	-	(2,576)
Write-offs		-	-	-
Total loss allowance for the year	416	-	-	416
				-
Loss allowance as at December 31, 2017	1,082	-	-	1,082

24. FINANCIAL RISK MANAGEMENT (continued)

24.1 Credit risk (continued)

24.1.1 Credit risk measurement (continued)

b) Loss allowance (continued)

ii) SHAREHOLDERS' OPERATIONS

	Stage 1 12-month ECL SAR'000	Stage 2 Lifetime ECL SAR'000	Stage 3 Lifetime ECL SAR'000	Total SAR'000
Loss allowance as at January 1, 2018	**158**	-	-	**1,081**
Movements with the statement of income				
Transfers:				
Transfer from stage 1 to stage 2	-	-	-	-
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	-	-	-	-
New financial assets originated or purchased	**294**	-	-	**294**
Net re-measurement of loss allowance	**5**	-	-	**5**
Financial assets derecognised during the year	**(323)**	-	-	**(323)**
Write-offs		-	-	-
Total reversal of loss allowance for the year	**(24)**	-	-	**(24)**
Loss allowance as at December 31, 2018	**134**	-	-	**134**

	Stage 1 12-month ECL SAR'000	Stage 2 Lifetime ECL SAR'000	Stage 3 Lifetime ECL SAR'000	Total SAR'000
Loss allowance as at January 1, 2017	225	-	-	225
Movements with the statement of income				-
Transfers:				-
Transfer from stage 1 to stage 2	-	-	-	-
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	-	-	-	-
New financial assets originated or purchased	946	-	-	946
Net re-measurement of loss allowance	22	-	-	22
Financial assets derecognised during the year	(1,035)	-	-	(1,035)
Write-offs		-	-	-
Total reversal of loss allowance for the year	(67)	-	-	(67)
				-
Loss allowance as at December 31, 2017	158	-	-	158

24. FINANCIAL RISK MANAGEMENT (continued)

24.2 Risk governance

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

24.3 Risk management structure

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

Board of Directors

The apex of risk governance is the centralised oversight of the Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined organisational strategic goals.

Senior management

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

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

a) Takaful risk

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

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

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

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

The takaful claim liabilities mentioned in note 10.1 (a) are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

A key feature of the liability adequacy testing is that the effects of changes in the assumptions on the measurement of the liabilities and related assets are not symmetrical.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly property and fire and accident, motor, medical and marine risks. These are regarded as short-term takaful contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

24. FINANCIAL RISK MANAGEMENT (continued)

24.3 Risk management structure (continued)

a) Takaful risk (continued)

Property and Accident

For property takaful contracts the main risks are fire and business interruption. In recent years the Company has only underwritten policies for properties containing fire detection equipment.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has reinsurance cover for such damage to limit losses for any individual claim to SAR 500 thousand (2017: SAR 500 thousand).

Motor

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. In recent years the Company has only underwritten comprehensive polices for owner/drivers over 21 years of age. Substantially all of the motor contracts relate to private individuals.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are key factors that influence the level of claims. The Company also has risk management procedures to control cost of claims. The Company has re-takaful cover for such damage to limit the losses for any individual claim to SAR 3,250 thousand (2017: SAR 1,250 thousand).

Medical

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

Marine

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

The underwriting strategy for the marine cargo class of business is to ensure that policies are well diversified in terms of cargo, vessels and shipping routes covered. The Company has re-takaful cover to limit losses for any individual claim to SAR 500 thousand (2017: SAR 500 thousand).

Sensitivity analysis

The takaful claims provision is sensitive to the above key assumptions. A hypothetical 5% change in the claim ratio would impact income by approximately SAR 116 million (2017: SAR 117 million) annually in aggregate.

b) Re-takaful risk

In order to minimize its financial exposure to potential losses arising from large claims, the Company enters into agreements with other parties for re-takaful purposes. Such re-takaful arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. Motor policies are protected by an excess of loss treaty. Health policies have been reinsured on a quota share basis. Marine, engineering and other lines of business have been insured on a quota share, surplus and facultative basis.

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

24. FINANCIAL RISK MANAGEMENT (continued)

24.3 Risk management structure (continued)

b) Re-takaful risk (continued)

Re-takaful ceded contracts do not relieve the Company from its obligations to the policyholders and as a result, the Company remains liable for outstanding claims re-takaful to the extent that the re-takaful fails to meet the obligations under the reinsurance agreements. The credit exposure in respect of re-takaful share of outstanding claims is mainly concentrated in the Gulf Co-operative Council countries (the 'GCC') and Europe.

c) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuation as the majority of monetary assets and liabilities are in currencies linked to the Saudi Riyal. In addition, Company's foreign currency transactions are primarily in US dollars which is pegged with Saudi Riyal and therefore the financial instruments are not sensitive to currency fluctuations.

d) Commission rate risk

Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company has no significant concentration of commission rate risk.

The sensitivity of the income is the effect of the assumed changes in the commission rates, with all other variable held constant, on the Company's income for one year. Based on the floating rate financial assets held at December 31, 2018 an increase or decrease of 50 basis points in commission rates would result in a change in the loss or gain for the year of SAR 850 thousand (2017: SAR 850 thousand)

e) Market price risk

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

The Company has investment in the units of commodity fund (classified as FVSI) managed by a related party. A 5% change in the net asset value of funds, with all other variables held constant, would impact the net income for the year by increase / decrease of SAR 2,287 thousand (2017: SAR 2,919 thousand) .

The Company has investment in the Saudi companies equities listed on Tadawul (Classified as FVOCI). A 5% change in the market value of these investments, with all other variables held constant, would impact the shareholders' equity by increase / decrease of SAR 6,125 thousand (2017: SAR 3,937 thousand).

24. FINANCIAL RISK MANAGEMENT (continued)

24.3 Risk management structure (continued)

f) Credit risk

The analysis of the credit ratings of the investment portfolio is as follows:

	December 31, 2018	
	Takaful operations SAR'000	**Shareholders' operations SAR'000**
S & P equivalent (A)	**-**	**-**
S & P equivalent (A-)	**344,907**	**-**
S & P equivalent (BBB+)	**1,259,036**	**85,009**
S & P equivalent (BB)	**99,694**	**-**
	1,703,637	**85,009**

	December 31, 2017	
	Takaful operations SAR'000	Shareholders' operations SAR'000
S & P equivalent (A)	199,946	-
S & P equivalent (A-)	24,993	-
S & P equivalent (BBB+)	959,236	85,016
S & P equivalent (BB)	99,919	-
	1,284,094	85,016

g) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial instruments. There is also a liquidity risk associated with the timing difference between gross cash out-flows and expected re-takaful recoveries.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

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

- A Company liquidity risk policy setting out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Risk Committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Set guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet takaful obligations.
- Setting up contingency funding plans which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.

The Company's catastrophic excess-of-loss re-takaful contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

Maturity profiles

The table below summarises the maturity profile of the non-derivative financial assets and liabilities of the Company based on remaining expected obligations. For takaful contract liabilities and re-takaful assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognised takaful liabilities. Repayments that are subject to notice are treated as if notice were to be given immediately.

24. FINANCIAL RISK MANAGEMENT (continued)

24.3 Risk management structure (continued)

g) Liquidity risk (continued)

Maturity profiles (continued)

	December 31, 2018 - SAR '000			December 31, 2017 - SAR '000		
	Less than one year	**More than one year**	**Total**	Less than one year	More than one year	Total
ASSETS, TAKAFUL OPERATIONS						
Cash and cash equivalents	**369,797**	**-**	**369,797**	579,282	-	579,282
Contributions and re-takaful balances receivable - net	**419,670**	**36,905**	**456,575**	230,733	32,552	263,285
Re-takaful share of outstanding claims	**384,991**	**-**	**384,991**	142,473	-	142,473
Investments mandatorily measured at FVSI	**129,853**	**-**	**129,853**	124,829	-	124,829
Investments designated as FVOCI	**-**	**25,327**	**25,327**	(34,076)	34,076	-
Due (to)/ from shareholders'/ takaful operations	**(401,888)**	**-**	**(401,888)**	(139,387)	-	(139,387)
Investments held at amortised cost	**519,711**	**1,183,926**	**1,703,637**	199,946	1,084,148	1,284,094
TOTAL ASSETS	**1,422,134**	**1,246,158**	**2,668,292**	1,103,800	1,150,776	2,254,576

	December 31, 2018 - SAR '000			December 31, 2017 - SAR '000		
	Less than one year	**More than one year**	**Total**	Less than one year	More than one year	Total
LIABILITIES, TAKAFUL OPERATIONS						
Re-takaful balances payable	**56,127**	**-**	**56,127**	66,318	-	66,318
Gross outstanding claims	**1,304,844**	**-**	**1,304,844**	893,230	-	893,230
Unit linked liabilities at FVSI	**-**	**52,336**	**52,336**	-	30,595	30,595
Takaful operations' surplus payable	**47,236**	**-**	**47,236**	34,442	-	34,442
TOTAL LIABILITIES AND SURPLUS	**1,408,207**	**52,336**	**1,460,543**	993,990	30,595	1,024,585

24. FINANCIAL RISK MANAGEMENT (continued)

24.3 Risk management structure (continued)

g) Liquidity risk (continued)

Maturity profiles (continued)

	December 31, 2018 - SAR '000			December 31, 2017 - SAR '000		
	Less than one year	**More than one year**	**Total**	Less than one year	More than one year	Total
ASSETS, SHAREHOLDERS' OPERATIONS						
Cash and cash equivalents	122,385	-	122,385	251,159	-	251,159
Investments mandatorily measured at FVSI	33,975	-	33,975	32,481	-	32,481
Investments designated as FVOCI	-	130,135	130,135	-	84,766	84,766
Due (to)/ from shareholders'/ takaful operations	401,888	-	401,888	139,387	-	139,387
Investments held at amortised cost	20,059	64,950	85,009	20,069	64,947	85,016
Statutory deposit	39,968	-	39,968	-	39,968	39,968
Accrued income on statutory deposit	3,439	-	3,439	-	2,565	2,565
TOTAL ASSETS	621,714	195,085	816,799	443,096	192,246	635,342

	December 31, 2018 - SAR '000			December 31, 2017 - SAR '000		
	Less than one year	**More than one year**	**Total**	Less than one year	More than one year	Total
LIABILITIES, SHAREHOLDERS' OPERATIONS						
Provision for zakat and income tax	33,689	-	33,689	26,490	-	26,490
End-of-service benefits	-	15,119	15,119	-	10,283	10,283
Payables to SAMA	4,346	-	4,346	3,473	-	3,473
TOTAL LIABILITIES AND SURPLUS	38,035	15,119	53,154	29,963	10,283	40,246

Liquidity profile

The table below summarizes the maturity profile of the financial assets and financial liabilities of the Company based on remaining contractual obligations, including contribution receivable. For takaful contract liabilities and assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognized takaful liabilities. Unearned contributions, re-takaful share of unearned contributions, deferred policy acquisition costs and unearned re-takaful commission income have been excluded from the analysis as they are not contractual obligations. Repayments that are subject to notice are treated as if notice were to be given immediately and such amounts are classified as due within one year.

24. FINANCIAL RISK MANAGEMENT (continued)

24.3 Risk management structure (continued)

g) Liquidity risk (continued)

Liquidity profile (continued)

	December 31, 2018 - SAR '000			
	Up to 1 year	1-3 years	above 3 years	Total
ASSETS, TAKAFUL OPERATIONS				
Cash and cash equivalents	369,797	-	-	369,797
Contributions and re-takaful balances receivable - net	419,670	-	-	456,575
Re-takaful share of outstanding claims	384,991	-		384,991
Investments mandatorily measured at FVSI	129,853	-	-	129,853
Investments designated as FVOCI	-	-	25,327	25,327
Due (to)/ from shareholders'/ takaful operations	(401,888)	-	-	(401,888)
Investments held at amortised cost	519,711	199,667	984,259	1,703,637
TOTAL ASSETS	1,422,134	199,667	1,009,586	2,668,292

	December 31, 2018 - SAR '000			
	Up to 1 year	1-3 years	above 3 years	Total
LIABILITIES, TAKAFUL OPERATIONS				
Re-takaful balances payable	56,127	-	-	56,127
Gross outstanding claims	1,304,844	-	-	1,304,844
Unit linked liabilities at FVSI	-	-	52,336	52,336
Takaful operations' surplus payable	47,236	-	-	47,236
TOTAL LIABILITIES AND SURPLUS	1,408,207	-	52,336	1,460,543

24. FINANCIAL RISK MANAGEMENT (continued)

24.3 Risk management structure (continued)

g) Liquidity risk (continued)

Liquidity profile (continued)

	December 31, 2018 - SAR '000			
	Up to 1 year	1-3 years	above 3 years	Total
ASSETS, SHAREHOLDERS' OPERATIONS				
Cash and cash equivalents	122,385	-	-	122,385
Investments mandatorily measured at FVSI	33,975	-	-	33,975
Investments designated as FVOCI	-	-	130,135	130,135
Due (to)/ from shareholders'/ takaful operations	401,888	-	-	401,888
Investments held at amortised cost	20,059	-	64,950	85,009
Statutory deposit	39,968	-	-	39,968
Accrued income on statutory deposit	3,439	-	-	3,439
TOTAL ASSETS	621,714	-	195,085	816,799

	December 31, 2018 - SAR '000			
	Up to 1 year	1-3 years	above 3 years	Total
LIABILITIES, SHAREHOLDERS' OPERATIONS				
Provision for zakat and income tax	33,689	-	-	33,689
End-of-service benefits	-	-	15,119	15,119
Payables to SAMA	4,346	-	-	4,346
Fair value reserve - Investments designated as FVOCI	-	-	12,264	12,264
TOTAL LIABILITIES AND SURPLUS	38,035	-	27,383	65,418

25. SUPPLEMENTARY INFORMATION

25.1 Statement of financial position

	SAR '000					
	December 31, 2018			December 31, 2017		
	Takaful operations	**Shareholders' operations**	**Total**	Takaful operations	Shareholders' operations	Total
ASSETS:						
Cash and cash equivalents	**369,797**	**122,385**	**492,182**	579,282	251,159	830,441
Contributions and re-takaful balances receivable - net	**456,575**	**-**	**456,575**	263,285	-	263,285
Re-takaful share of unearned contributions	**88,458**	**-**	**88,458**	91,709	-	91,709
Re-takaful share of outstanding claims	**384,991**	**-**	**384,991**	142,473	-	142,473
Re-takaful share of mathematical reserve at FVSI	**109**	**-**	**109**	114	-	114
Deferred policy acquisition costs	**60,868**	**-**	**60,868**	35,789	-	35,789
Investments mandatorily measured at FVSI	**129,853**	**33,975**	**163,828**	124,829	32,481	157,310
Investments designated as FVOCI	**25,327**	**130,135**	**155,462**	-	84,766	84,766
Due (to)/ from shareholders'/ takaful operations	**(401,888)**	**401,888**	**-**	(139,387)	139,387	-
Investments held at amortised cost	**1,703,637**	**85,009**	**1,788,646**	1,284,094	85,016	1,369,110
Prepaymets and other assets	**39,785**	**29,817**	**69,602**	34,076	15,805	49,881
Property and equipment	**-**	**18,713**	**18,713**	-	18,936	18,936
Statutory deposit	**-**	**39,968**	**39,968**	-	39,968	39,968
Accrued income on statutory deposit	**-**	**3,439**	**3,439**	-	2,565	2,565
TOTAL ASSETS	**2,857,512**	**865,329**	**3,722,841**	2,416,264	670,083	3,086,347

25. SUPPLEMENTARY INFORMATION (continued)
25.1 Statement of financial position (continued)

	SAR '000					
	December 31, 2018			December 31, 2017		
	Takaful operations	Shareholders' operations	Total	Takaful operations	Shareholders' operations	Total
LIABILITIES:						
Payable, accruals and other liabilities	94,045	38,063	132,108	80,497	31,777	112,274
Provision for zakat and income tax	-	33,689	33,689	-	26,490	26,490
Re-takaful balances payable	56,127	-	56,127	66,318	-	66,318
Unearned contributions	1,302,633	-	1,302,633	1,304,110	-	1,304,110
Unearned re-takaful commission income	6,002	-	6,002	7,072	-	7,072
Gross outstanding claims	1,304,844	-	1,304,844	893,230	-	893,230
Unit linked liabilities at FVSI	52,336	-	52,336	30,595	-	30,595
End-of-service benefits	-	15,119	15,119	-	10,283	10,283
Payables to SAMA	-	4,346	4,346	-	3,473	3,473
	2,815,987	91,217	2,907,204	2,381,822	72,023	2,453,845
Takaful operations' surplus payable	47,236	-	47,236	34,442	-	34,442
TOTAL LIABILITIES AND ACCUMULATED SURPLUS	2,863,223	91,217	2,954,440	2,416,264	72,023	2,488,287
EQUITY:						
Share capital	-	400,000	400,000	-	400,000	400,000
Statutory reserve	-	91,302	91,302	-	54,297	54,297
Retained earnings	-	270,733	270,733	-	142,211	142,211
Remeasurement reserve for EOSB	-	(187)	(187)	-	-	-
Fair value reserve - Investments designated as FVOCI	(5,711)	12,264	6,553	-	1,552	1,552
TOTAL EQUITY	(5,711)	774,112	768,401	-	598,060	598,060
TOTAL LIABILITIES, ACCUMULATED SURPLUS AND EQUITY	2,857,512	865,329	3,722,841	2,416,264	670,083	3,086,347
COMMITMENTS AND CONTINGENCIES	14,437	-	14,437	12,997	-	12,997

25. SUPPLEMENTARY INFORMATION (continued)
25.2 Statement of income
For the year ended December 31

	SAR '000					
	2018			2017		
	Takaful operations	Shareholders' operations	Total	Takaful operations	Shareholders' operations	Total
REVENUES						
Gross contributions written	2,973,594	-	2,973,594	3,193,474	-	3,193,474
Re-takaful contributions ceded - domestic	(1,978)	-	(1,978)	(1,305)	-	(1,305)
Re-takaful contributions ceded - foreign	(93,616)	-	(93,616)	(104,676)	-	(104,676)
Excess of loss expenses – foreign	(14,997)	-	(14,997)	(14,475)	-	(14,475)
Net contributions written	2,863,003	-	2,863,003	3,073,018	-	3,073,018
Changes in unearned contributions, net	(1,774)	-	(1,774)	(285,681)	-	(285,681)
Net contributions earned	2,861,229	-	2,861,229	2,787,337	-	2,787,337
Re-takaful commission income	14,551	-	14,551	12,243	-	12,243
Other underwriting income	5,972	-	5,972	10,194	-	10,194
TOTAL REVENUES	2,881,752	-	2,881,752	2,809,774	-	2,809,774
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid and loss adjustment expenses	(2,247,825)	-	(2,247,825)	(2,073,776)	-	(2,073,776)
Surrenders and maturities	(3,552)	-	(3,552)	(1,826)	-	(1,826)
Expenses incurred related to claims	-	-	-	-	-	-
Reinsurers' share of claims paid	99,458	-	99,458	31,920	-	31,920
Net claims and other benefits paid	(2,151,919)	-	(2,151,919)	(2,043,682)	-	(2,043,682)
Changes in outstanding claims, net	(10,729)	-	(10,729)	12,931	-	12,931
Changes in incurred but not reported (IBNR) claims, net	(158,367)	-	(158,367)	(316,787)	-	(316,787)
Net claims and other benefits incurred	(2,321,015)	-	(2,321,015)	(2,347,538)	-	(2,347,538)
Change in unit linked liabilities at FVSI	(20,784)	-	(20,784)	(15,382)	-	(15,382)
Policy acquisition costs	(109,522)	-	(109,522)	(94,456)	-	(94,456)
Other underwriting expenses	(30,162)	-	(30,162)	(23,288)	-	(23,288)
TOTAL UNDERWRITING COSTS AND EXPENSES	(2,481,483)	-	(2,481,483)	(2,480,664)	-	(2,480,664)
NET UNDERWRITING INCOME	400,269	-	400,269	329,110	-	329,110
OTHER OPERATING (EXPENSES)/ INCOME						
Allowance for doubtful debts - contribution and retakaful balances receivable	(50,528)	-	(50,528)	(5,317)	-	(5,317)
Management fee for administration of takaful operations	(232,963)	232,963	-	(173,601)	173,601	-
General and administrative expenses	-	(232,963)	(232,963)	-	(173,601)	(173,601)
Special commission income	58,232	7,660	65,892	28,053	4,576	32,629
Net gains on investments mandatorily measured at FVSI	8,770	1,994	10,764	5,370	2,585	7,955
Dividend income	-	4,144	4,144	-	3,407	3,407
(Impairment loss) / reversal of impairment loss	(346)	23	(323)	(416)	67	(349)
Other income	4,262	2,280	6,542	5,809	2,127	7,936
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(212,573)	16,101	(196,472)	(140,102)	12,762	(127,340)
NET INCOME FOR THE YEAR BEFORE ATTRIBUTION OF MANAGEMENT FEE	187,696	16,101	203,797	189,008	12,762	201,770
Management fee attributable to shareholders' operations	(168,926)	168,926	-	(170,108)	170,108	-
NET INCOME FOR THE YEAR AFTER ATTRIBUTION OF MANAGEMENT FEE	18,770	185,027	203,797	18,900	182,870	201,770

25. SUPPLEMENTARY INFORMATION (continued)

25.3 Statement of comprehensive income

For the year ended December 31

	SAR '000					
	2018			2017		
	Takaful operations	Shareholders' operations	Total	Takaful operations	Shareholders' operations	Total
Net income after attribution of management fee to shareholders' operations	18,770	185,027	203,797	18,900	182,870	201,770
Other comprehensive (loss) / income :						
Items that will not be reclassified to statement of income in subsequent years						
- Net change in fair value in investments designated as FVOCI	(5,711)	10,712	5,001	-	1,552	1,552
- Remeasurement of EOSB	-	(187)	(187)	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	13,059	195,552	208,611	18,900	184,422	203,322

25. SUPPLEMENTARY INFORMATION (continued)
25.4 Statement of cash flows

	SAR '000					
	Takaful operations	**Shareholders' operations**	**Total**	Takaful operations	Shareholders' operations	Total
	For the year ended December 31, 2018			For the year ended December 31, 2017		
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income for the year after attribution of management fee	**18,770**	**185,027**	**203,797**	18,900	182,870	201,770
Adjustments for non-cash items:						
Depreciation of property and equipment	**-**	**7,934**	**7,934**	-	8,037	8,037
Management fee for administration of takaful operations	**232,963**	**(232,963)**	**-**	173,601	(173,601)	-
Management fee attributable to shareholders' operations	**168,926**	**(168,926)**	**-**	170,108	(170,108)	-
Allowance for doubtful debts - contribution and retakaful balances receivable	**50,528**	**-**	**50,528**	5,317	-	5,317
Unrealized gain on investments mandatorily measured at FVSI	**(1,028)**	**(206)**	**(1,234)**	(961)	(89)	(1,050)
Impairment / reversal of impairment of investments held at amortised cost	**346**	**(23)**	**323**	416	(67)	349
Provision for end-of-service benefits	**-**	**5,477**	**5,477**	-	2,002	2,002
	470,505	**(203,680)**	**266,825**	367,381	(150,956)	216,425
Changes in operating assets and liabilities:						
Contributions and re-takaful balances receivable	**(243,818)**	**-**	**(243,818)**	42,200	-	42,200
Re-takaful share of unearned contributions	**3,251**	**-**	**3,251**	(22,043)	-	(22,043)
Re-takaful share of outstanding claims	**(242,518)**	**-**	**(242,518)**	(46,764)	-	(46,764)
Re-takaful share of financial liabilities at FVSI	**5**	**-**	**5**	(56)	-	(56)
Deferred policy acquisition costs	**(25,079)**	**-**	**(25,079)**	(5,423)	-	(5,423)
Prepayments and other assets	**(5,709)**	**(14,012)**	**(19,721)**	(11,084)	(2,472)	(13,556)
Other reserves	**-**	**-**	**-**	(134)	-	(134)
Accrued income on statutory deposit	**-**	**(873)**	**(873)**	-	(910)	(910)
Payable to SAMA	**-**	**873**	**873**	-	909	909
Payable, accruals and other liabilities	**13,548**	**6,286**	**19,834**	28,606	10,644	39,250
Financial liabilities at FVSI	**21,741**	**-**	**21,741**	16,399	-	16,399
Re-takaful balances payable	**(10,191)**	**-**	**(10,191)**	15,639	-	15,639
Unearned contributions	**(1,477)**	**-**	**(1,477)**	307,724	-	307,724
Unearned re-takaful commission	**(1,070)**	**-**	**(1,070)**	344	-	344

25. SUPPLEMENTARY INFORMATION (continued)
25.4 Statement of cash flows (continued)

	SAR '000					
	Takaful operations	**Shareholders' operations**	**Total**	Takaful operations	Shareholders' operations	Total
	For the year ended December 31, 2018			For the year ended December 31, 2017		
Outstanding claims	**411,614**	**-**	**411,614**	350,620	-	350,620
Deposit against letters of guarantee	**(1,440)**	**-**	**(1,440)**	(1,150)	-	(1,150)
	389,362	**(211,406)**	**177,956**	1,042,259	(142,785)	899,474
Management fee (paid) / received	**(343,709)**	**343,709**	**-**	(169,553)	169,553	-
Zakat paid	**-**	**(12,301)**	**(12,301)**	-	(7,401)	(7,401)
Takaful operations' surplus paid	**(5,976)**	**-**	**(5,976)**	-	-	-
End-of-service benefits paid	**-**	**(828)**	**(828)**	-	(1,590)	(1,590)
Net cash generated from operating activities	**39,677**	**119,174**	**158,851**	872,706	17,777	890,483
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments mandatorily measured at FVSI	**(1,215,073)**	**(545,000)**	**(1,760,073)**	(2,392,671)	(552,486)	(2,945,157)
Disposals of investments mandatorily measured at FVSI	**1,211,077**	**543,712**	**1,754,789**	2,297,000	604,474	2,901,474
Purchase of investments designated as FVOCI	**(31,038)**	**(94,448)**	**(125,486)**	-	(62,139)	(62,139)
Disposals of investments designated as FVOCI	**-**	**59,899**	**59,899**	-	60,472	60,472
Movement in cash balance in equity share portfolio	**-**	**(108)**	**(108)**	-	2,423	2,423
Purchase of investments held at amortised cost	**(1,090,000)**	**(280,000)**	**(1,370,000)**	(1,535,000)	(330,109)	(1,865,109)
Disposal of investments held at amortised cost	**670,000**	**280,000**	**950,000**	955,000	425,035	1,380,035
Additions in property and equipment		**(7,711)**	**(7,711)**	-	(6,968)	(6,968)
Net cash (used in) / generated from investing activities	**(455,034)**	**(43,656)**	**(498,690)**	(675,671)	140,702	(534,969)
CASH FLOWS FROM FINANCING ACTIVITIES						
Due from / (to) shareholders / takaful operations	**204,322**	**(204,322)**	**-**	(7,500)	7,500	-
Net cash generated from / (used in) financing activities	**204,322**	**(204,322)**	-	(7,500)	7,500	-
Net change in cash and cash equivalents	**(211,035)**	**(128,804)**	**(339,839)**	189,535	165,979	355,514
Cash and cash equivalents, beginning of the year	**566,460**	**250,319**	**816,779**	376,925	84,340	461,265
Cash and cash equivalents, end of the year	**355,425**	**121,515**	**476,940**	566,460	250,319	816,779
NON-CASH INFORMATION						
Changes in fair value of investments designated as FVOCI	***(5,711)***	***10,712***	***5,001***	-	*1,552*	*1,552*

26. COMPARATIVE FIGURES

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

Statement of financial position - Takaful Operations	Amount previously stated	Amount reclassified	Amount after reclassification
		SAR'000	
Assets - Takaful operations			
Due (to)/ from shareholders'/ takaful operations	204,322	(343,709)	(139,387)
Prepayments and other assets	15,905	18,171	34,076
	220,227	**(325,538)**	**(105,311)**
Liabilities - Takaful operations			
Management fees payable – to shareholders' operations	343,709	(343,709)	-
	343,709	**(343,709)**	**-**
Statement of financial position - Shareholders' Operations			
Assets - Shareholders' operations			
Due (to)/ from shareholders'/ takaful operations	-	139,387	139,387
Management fees payable – to shareholders' operations	343,709	(343,709)	-
	343,709	**(204,322)**	**139,387**
Liabilities - Shareholders' operations			
Due (to)/ from shareholders'/ takaful operations	204,322	(204,322)	-
	204,322	**(204,322)**	**-**

27. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors of the Company, on Jumada al thani 22, 1440, corresponding February 27, 2019.