

**ALINMA TOKIO MARINE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS  
AND  
AUDITORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

**ALINMA TOKIO MARINE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS AND AUDITORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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<b>INDEX</b>	<b>PAGES</b>
Auditors' Report	1-5
Statement of Financial Position	6-7
Statement of Income - Insurance Operations	8
Statement of Insurance Operations' Comprehensive Income	9
Statement of Income - Shareholders' Operations	10
Statement of Shareholders' Comprehensive Income	11
Statement of Changes in Shareholders' Equity	12
Statement of Insurance Operations' Cash Flows	13
Statement of Shareholders' Cash Flows	14
Notes to the Financial Statements	15-53



**Al-Bassam & Co.**  
**Allied Accountants**

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**INDEPENDENT AUDITORS' REPORT ON AUDIT OF THE FINANCIAL STATEMENTS  
TO THE SHAREHOLDERS OF ALINMA TOKIO MARINE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**Opinion**

We have audited the financial statements of Alinma Tokio Marine Company, a Saudi Joint Stock Company (the "Company"), which comprise of statement of financial position as at 31 December 2017 and the related statement of income - insurance operations, statement of insurance operations' comprehensive income, statement of income - shareholders' operations, statement of shareholders comprehensive income and statement of changes in shareholders' equity and statements of insurance operations and shareholders' operations cash flows for the year then ended, and the summary of significant accounting policies and other explanatory notes from 1 to 27.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as modified by Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and 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 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:



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**INDEPENDENT AUDITORS' REPORT ON AUDIT OF THE FINANCIAL STATEMENTS  
TO THE SHAREHOLDERS OF ALINMA TOKIO MARINE COMPANY  
(A SAUDI JOINT STOCK COMPANY) – CONTINUED**

**Key Audit Matters (Continued)**

**Key audit matter**

*Valuation of ultimate claim liabilities arising from insurance contracts*

As at 31 December 2017, outstanding claims including claims incurred but not reported (IBNR) amounted to Saudi Riyals 41.1 Million as reported in Note 8 (a) 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 are used by the actuary to determine these technical reserves. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

We considered this as a key audit matter since use of management assumptions and judgments could result in material over / understatement of the Company's profitability.

*The Company's policies for claims related estimates and judgments and accounting policies are disclosed in notes 2 and 3 to the financial statements respectively. Liabilities for outstanding claims including IBNR, claims incurred and claims development table have been disclosed in note 8 and 23 respectively to the financial statements. The Company's approach to claim related risk management has been disclosed in note 21 to the financial statements. Segment wise disclosure of claim related liabilities and expense have been given in note 26 to the financial statements.*

**How our audit addressed the key audit matter**

We understood and evaluated key controls around the claims handling and technical reserve setting processes of the Company including completeness and accuracy of claims data used in the actuarial reserving process.

We evaluated the competence, capabilities and objectivity of the management's expert by examining their professional qualifications and experiences and assessing their relationship with the 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 utilized by the Company's actuary in estimating the IBNR by comparing it to accounting records.

In order to assess management's methodologies and assumptions, we were assisted by our actuary to understand and evaluate the Company's actuarial practices and the provisions established. In order to gain comfort over the Company's actuarial report, our actuary performed the following:

- Evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods. We sought explanation from management for any significant differences;
- Assessed key actuarial assumptions including claims ratios, and expected frequency and severity of claims. We assessed these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge, and
- Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions.



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**INDEPENDENT AUDITORS' REPORT ON AUDIT OF THE FINANCIAL STATEMENTS  
TO THE SHAREHOLDERS OF ALINMA TOKIO MARINE COMPANY  
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**Other information included in the Company's 2017 Annual Report**

The Board of Directors of the Company (the Directors) are responsible for the other information in the Company's annual report. The other information consists of the information included in the Company's 2017 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 when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

**Responsibilities of Directors and Those Charged with Governance for the Financial Statements**

The Directors is responsible for the preparation and fair presentation of the financial statements in accordance with 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 controls as the Directors determines 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.



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**INDEPENDENT AUDITORS' REPORT ON AUDIT OF THE FINANCIAL STATEMENTS  
TO THE SHAREHOLDERS OF ALINMA TOKIO MARINE COMPANY  
(A SAUDI JOINT STOCK COMPANY) – CONTINUED**

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

As part of an audit in accordance with International Standards on Auditing ("ISAs"), as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management;
- conclude on the appropriateness of the managements' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

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

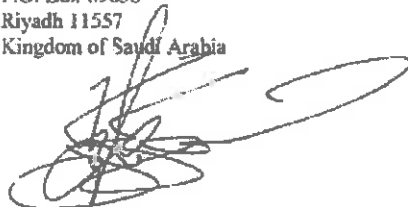
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**INDEPENDENT AUDITORS' REPORT ON AUDIT OF THE FINANCIAL STATEMENTS  
TO THE SHAREHOLDERS OF ALINMA TOKIO MARINE COMPANY  
(A SAUDI JOINT STOCK COMPANY) - CONTINUED**

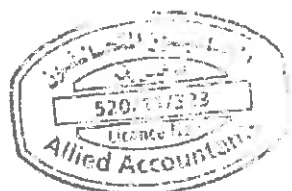
**Auditors' responsibilities for the audit of the financial statements (Continued)**

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 year 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.

**PKF Al-Bassam & Co.**  
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P.O. Box 69658  
Riyadh 11557  
Kingdom of Saudi Arabia



**Ibrahim A. Al-Bassam**  
Certified Public Accountant  
Registration No. 337



**Aldar Audit Bureau**  
**Abdullah Al Basri & Co**  
P. O. Box 2195  
Riyadh 11451  
Kingdom of Saudi Arabia



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



20 March 2018  
3 Rajab 1439

**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2017**

	<i>Note</i>	<b>31 December 2017</b>	<b>31 December 2016</b>
		<b>SR' 000</b>	<b>SR' 000</b>
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	4	14,684	4,308
Investments	5	46,436	-
Premiums and reinsurance receivables, net	6	126,390	193,920
Reinsurers' share of unearned premiums	7	30,297	40,429
Reinsurers' share of outstanding claims	8	148,015	137,378
Deferred policy acquisition costs		7,529	5,438
Prepayments and other assets	9	13,053	4,928
Property and equipment	11	7,111	6,590
Unit linked investments		8,400	3,471
<b>Total insurance operations' assets</b>		<b>401,915</b>	<b>396,462</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	4	93,179	136,002
Investments	5	137,061	99,750
Prepayments and other assets	9	1,693	1,590
Statutory deposit	10	45,000	45,000
Due from a related party	12	8	-
Due from insurance operations		14,497	17,331
<b>Total shareholders' assets</b>		<b>291,438</b>	<b>299,673</b>
<b>TOTAL ASSETS</b>		<b>693,353</b>	<b>696,135</b>

  
Director

  
Chief Financial Officer

  
Chief Executive Officer

The accompanying notes 1 to 27 form an integral part of these financial statements.



**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2017**

	<i>Note</i>	<b>31 December 2017</b>	<b>31 December 2016</b>
		<b>SR' 000</b>	<b>SR' 000</b>
<b>INSURANCE OPERATIONS' LIABILITIES</b>			
Outstanding claims	8	183,533	183,459
Unearned premiums	7	76,138	75,403
Reinsurance balances payable		61,390	82,618
Unearned reinsurance commission		6,661	7,003
Accrued expenses and other liabilities	13	47,348	24,394
Unit linked liabilities		8,400	3,471
Retirement benefit obligation	14	4,273	2,783
Due to shareholders' operations		14,497	17,331
Remeasurement of retirement benefit obligation	14	(325)	-
<b>Total insurance operations' liabilities</b>		<b>401,915</b>	<b>396,462</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>SHAREHOLDERS' LIABILITIES</b>			
Accrued expenses and other liabilities	13	3,641	3,819
Zakat and income tax payable	15	5,024	4,200
<b>Total shareholders' liabilities</b>		<b>8,665</b>	<b>8,019</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	16	300,000	450,000
Accumulated losses		(17,227)	(158,346)
<b>Total shareholders' equity</b>		<b>282,773</b>	<b>291,654</b>
<b>Total shareholders' liabilities and equity</b>		<b>291,438</b>	<b>299,673</b>
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES, SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>693,353</b>	<b>696,135</b>

  
\_\_\_\_\_  
Director

  
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Chief Financial Officer

  
\_\_\_\_\_  
Chief Executive Officer

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**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**STATEMENT OF INCOME - INSURANCE OPERATIONS**  
For the year ended 31 December 2017

	Note	For the year ended 31 December 2017 SR'000	For the year ended 31 December 2016 SR'000
<b>REVENUES</b>			
Gross written premiums	17	296,723	321,888
Reinsurance premiums ceded	17	(142,711)	(187,185)
Excess of loss expenses	17	(7,021)	(8,077)
<b>Net written premiums</b>		<b>146,991</b>	<b>126,626</b>
Changes in gross unearned premiums		(735)	538
Changes in reinsurance share of unearned premiums		(10,132)	(11,850)
Net change in unearned premiums		(10,867)	(11,312)
<b>Net earned premiums</b>	17	<b>136,124</b>	<b>115,314</b>
Reinsurance commission earned and other income		24,879	22,846
Other underwriting income		3,884	3,914
<b>Total insurance revenues</b>		<b>164,887</b>	<b>142,074</b>
<b>CLAIMS AND EXPENSES</b>			
Gross claims paid	8	(195,681)	(189,901)
Reinsurers' share of claims paid	8	109,003	120,660
<b>Net claims paid</b>		<b>(86,678)</b>	<b>(69,241)</b>
Changes in gross outstanding claims		(74)	(96,841)
Changes in reinsurers' share of outstanding claims		10,637	75,722
<b>Net outstanding claims</b>	8	<b>10,563</b>	<b>(21,119)</b>
<b>Net claims incurred</b>		<b>(76,115)</b>	<b>(90,360)</b>
Change in unit linked reserves		(4,929)	(1,964)
Surrenders, net		(133)	(160)
Policy acquisition costs		(23,625)	(20,074)
Inspection and supervision fees		(1,523)	(1,657)
<b>Total claims and expenses</b>		<b>(106,325)</b>	<b>(114,215)</b>
Investment income		411	161
General and administrative expenses	18	(50,653)	(45,939)
Provision for doubtful receivables	18	(11,856)	(3,404)
<b>Total claims and expenses, net</b>		<b>(168,423)</b>	<b>(163,397)</b>
<b>Net deficit from insurance operations</b>		<b>(3,536)</b>	<b>(21,323)</b>
Appropriation to shareholders' operations		3,536	21,323
<b>Net deficit after appropriations to shareholders' operations</b>		<b>-</b>	<b>-</b>

Director

Chief Financial Officer

Chief Executive Officer

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**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**STATEMENT OF INSURANCE OPERATIONS' COMPREHENSIVE INCOME**  
For the year ended 31 December 2017

	<i>Note</i>	<i>For the year ended 31 December 2017</i>	<i>For the year ended 31 December 2016</i>
		<i>SR'000</i>	<i>SR'000</i>
<b>Net loss for the year</b>		<b>(3,536)</b>	<b>(21,323)</b>
<i>Other comprehensive income:</i>			
<i>Items that may not be reclassified to statement of insurance operations in subsequent periods</i>			
- Remeasurement of retirement benefit plan	14	(325)	-
<b>Total comprehensive loss</b>		<b>(3,861)</b>	<b>(21,323)</b>

  
\_\_\_\_\_  
Director

  
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Chief Financial Officer

  
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Chief Executive Officer

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**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**STATEMENT OF INCOME - SHAREHOLDERS' OPERATIONS**

For the year ended 31 December 2017

	<i>Note</i>	<i>For the year ended 31 December 2017 SR'000</i>	<i>For the year ended 31 December 2016 SR'000</i>
Net deficit transferred from insurance operations	2	(3,536)	(21,323)
Investment and other income	19	<u>4,444</u>	<u>7,130</u>
		908	(14,193)
General and administrative expenses	18	(4,227)	(3,244)
Net loss for the year		<u>(3,319)</u>	<u>(17,437)</u>
Loss per share (SR)	20	<u>(0.111)</u>	<u>Restated (0.581)</u>
Number of outstanding shares	20	<u>30,000</u>	<u>30,000</u>

  
\_\_\_\_\_  
Director

  
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Chief Financial Officer

  
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Chief Executive Officer

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**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME**

For the year ended 31 December 2017

	<i>Note</i>	<i>For the year ended 31 December 2017 SR'000</i>	<i>For the year ended 31 December 2016 SR'000 Restated</i>
Net loss for the year		(3,319)	(17,437)
Other comprehensive income	24		
<b>Total comprehensive loss for the year</b>		<b>(3,319)</b>	<b>(17,437)</b>

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Chief Executive Officer

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**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
For the year ended 31 December 2017

	<i>Note</i>	<b>Share capital</b>	<b>Accumulated losses</b>	<b>Total</b>
		<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<b>2017</b>				
Balance as at 31 December 2016	16	450,000	(158,346)	291,654
Reduction in share capital / accumulated losses	16	(150,000)	150,000	-
Transaction cost related to reduction in share capital	16	-	(403)	(403)
Total comprehensive loss for the year		-	(3,319)	(3,319)
Zakat charge for the year	15		(4,516)	(4,516)
Income tax charge for the year	15	-	(643)	(643)
<b>Balance as at 31 December 2017</b>		<b>300,000</b>	<b>(17,227)</b>	<b>282,773</b>
<b>2016</b>				
Balance as at 31 December 2015	16	450,000	(137,074)	312,926
Total comprehensive loss for the year		-	(17,437)	(17,437)
Zakat charge for the year	15	-	(3,835)	(3,835)
<b>Balance as at 31 December 2016</b>		<b>450,000</b>	<b>(158,346)</b>	<b>291,654</b>

  
Director

  
Chief Financial Officer

  
Chief Executive Officer

The accompanying notes 1 to 27 form an integral part of these financial statements.

**ALINMA TOKIO MARINE COMPANY**  
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**STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS**

For the year ended 31 December 2017

	Note	For the year ended 31 December 2017 SR'000	For the year ended 31 December 2016 SR'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net result for the year from insurance operations		-	-
Adjustments for non-cash items:			
Unrealized gain on FVTIS investments	5(i)	(397)	-
Realized gain on FVTIS investments	5(i)	(39)	(107)
Provision for doubtful receivables	6	11,856	3,404
Depreciation	11	2,649	3,084
Retirement benefit obligation	14	1,398	1,109
Income before changes in operating assets and liabilities		15,467	7,490
<i>Changes in operating assets and liabilities:</i>			
<i>Operating assets:</i>			
Premiums and reinsurance receivables	6	55,674	(91,614)
Reinsurers' share of outstanding claims		(10,637)	(75,722)
Reinsurers' share of unearned premiums		10,132	11,850
Deferred policy acquisition costs		(2,091)	(1,740)
Prepayments and other assets		(8,125)	(2,074)
Due to / (from) shareholders' operations		(2,834)	18,052
Unit linked investments		(4,929)	(2,237)
<i>Operating liabilities:</i>			
Gross outstanding claims		74	96,841
Reinsurance balances payable		(21,228)	22,990
Gross unearned premiums		735	(538)
Unearned reinsurance commission		(342)	(1,244)
Accrued expenses and other liabilities		22,954	390
Unit linked liabilities		4,929	1,964
Cash generated from / (used in) operations		59,779	(15,592)
Retirement benefit obligation paid	14	(233)	(313)
Net cash generated from / (used in) operating activities		59,546	(15,905)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments		(114,000)	(35,000)
Proceeds from sale of investments		68,000	45,231
Purchase of property and equipment	11	(3,170)	(1,870)
Net cash (used in) / generated from investing activities		(49,170)	8,361
Net change in cash and cash equivalents		10,376	(7,544)
Cash and cash equivalents at the beginning of the year		4,308	11,852
Cash and cash equivalents at the end of the year	4	14,684	4,308

  
Director

  
Chief Financial Officer




  
Chief Executive Officer

The accompanying notes 1 to 27 form an integral part of these financial statements.

**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**STATEMENT OF SHAREHOLDERS' OPERATIONS CASH FLOWS**

For the year ended 31 December 2017

	Notes	For the year ended 31 December 2017 SR'000	For the year ended 31 December 2016 SR'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss for the year		(3,319)	(17,437)
Adjustments for non-cash items:			
Realized (gain) / loss on FVTIS	5(ii)	(214)	12
Unrealized (gain) on FVTIS	5(ii)	(1,539)	(1,512)
Loss before changes in operating assets and liabilities		(5,072)	(18,937)
<i>Changes in operating assets and liabilities:</i>			
<i>Operating assets:</i>			
Due from a related party		(8)	14
Due from insurance operations		2,834	(18,052)
Prepayments and other assets		(103)	(1,232)
<i>Operating liabilities:</i>			
Accrued expenses and other liabilities		(178)	1,475
Cash used in operations		(2,527)	(36,732)
Zakat paid	15	(4,335)	(704)
Net cash used in operating activities		(6,862)	(37,436)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments		(227,295)	(65,937)
Proceeds from sale of investments		191,737	85,412
Net cash (used in) / generated from investing activities		(35,558)	19,475
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Transaction cost relating to reduction of share capital	16	(403)	-
Net cash used in financing activities		(403)	-
Net change in cash and cash equivalents		(42,823)	(17,961)
Cash and cash equivalents at the beginning of the year		136,002	153,963
Cash and cash equivalents at the end of the year	4	93,179	136,002
<b>Non cash transactions:</b>			
Reduction in share capital	16	150,000	-
<div style="display: flex; justify-content: space-between; align-items: flex-end;"> <div style="text-align: center;">   <b>Director</b> </div> <div style="text-align: center;">   <b>Chief Financial Officer</b> </div> <div style="text-align: center;">   <b>Chief Executive Officer</b> </div> </div>			

The accompanying notes 1 to 27 form an integral part of these financial statements.



**ALINMA TOKIO MARINE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

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**1 REPORTING ENTITY AND OPERATIONS**

Alinma Tokio Marine Company ("the Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per Ministry of Commerce and Industry's Resolution number 309/Q dated 19 Rajab 1433H (corresponding to 9 June 2012). The Commercial Registration number of the Company is 1010342527, dated 28 Rajab 1433H (corresponding to 18 June 2012). The Company is listed on the Saudi Arabian Stock Exchange ("Tadawul") since 24 June 2012. The Registered Office of the Company is situated at Al-Anoud Tower 2, P.O. Box 643, Riyadh 11421, Kingdom of Saudi Arabia.

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. 25/M, dated 3 Jumada-Al Thani 1430H (corresponding to 27 June 2009), pursuant to the Council of Ministers' Resolution No. 140 dated 2 Jumada-Al Thani 1430H (corresponding to 26 June 2009).

The objective of the Company is to engage in cooperative insurance operations and related activities, including reinsurance, agencies, representation, correspondence and intermediary activities in the Kingdom of Saudi Arabia in accordance with its Articles of Association and applicable regulations in the Kingdom of Saudi Arabia.

**2 BASIS OF PREPARATION**

**2.1 Basis of presentation**

The financial statements of the Company for the year ended 31 December 2017 have been prepared in line with the International Financial Reporting Standards (IFRS) 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 14 Rajab 1438H (corresponding to 11 April 2017) and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax ("SAMA Circular"), the Zakat and Income tax are to be accrued on a quarterly basis through shareholders equity under retained earnings. Until 31 December 2016, the financial statements of the company were prepared in accordance with IFRS. This change in framework resulted in a change in accounting policy for zakat and income tax and the effects of this change are disclosed in note 27 to the financial statements.

In accordance with Article 70 of the SAMA Implementing Regulations, the Company must distribute, subject to the approval of SAMA, its annual net policyholders' surplus directly to policyholders at a time, and according to criteria, as set by its Board of Directors and as stipulated by SAMA circular, provided the customer contract (policy) is active and paid-up to date at the time of settlement of the cooperative distribution amount. Losses incurred by insurance operations are absorbed by shareholders' operations. As per the by-laws of the Company, surplus arising from insurance operations is distributed between shareholders and policyholders at 90 % and 10 % respectively while any deficit pertaining to insurance operations will be borne by the shareholders in full.

**ALINMA TOKIO MARINE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

---

**2 BASIS OF PREPARATION (Continued)**

**2.1 Basis of presentation (Continued)**

As required by the law, the Company maintains separate accounts for insurance operations and shareholders' operations and presents the financial statements accordingly. The physical custody and title of all assets related to the insurance operations and shareholders' operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined by Management and the Board of Directors of the Company

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention except for investments classified as 'available for sale' and 'held for trading' which are being carried at fair value, and retirement benefit obligations that are measured at present value.

**2.3 Functional and presentation currency**

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

**2.4 Critical accounting estimates and judgments**

*Estimation uncertainty*

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of assets or liabilities affected in the future.

*Impairment losses on receivables*

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

**ALINMA TOKIO MARINE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

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**2 BASIS OF PREPARATION (Continued)**

**2.4 Critical accounting estimates and judgments (Continued)**

*Technical reserve for insurance activities*

The estimation of amounts due to policyholders and third parties arising from claims made under insurance contracts require judgment by management. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

*Incurred but not reported claims*

The Company estimates claims based on its experience of its insurance portfolio. Claims requiring court or arbitration decisions, if any, are estimated individually. Management reviews its provision for claims incurred, and claims incurred but not reported, on a monthly basis. Any difference between the provision at the statement of financial position date and settlements and provisions in the following year is included in the statement of insurance operations for that year.

The provision for outstanding claims, as at 31 December 2017, is also verified and certified by the Company's appointed external actuary. The actuary calculates the claims reserves using the methodology that involves blending of the following two reserving methods.

- The basic chain ladder method
- Ultimate loss ratio method

The claims reserves are calculated from the higher of the above two methods. The claims reserves are sensitive to the assumptions made about the number of months used to average the completion factors for the chain ladder method and the ultimate loss ratio assumption.

*Useful lives of property and equipment*

The Company's management determines the estimated useful lives of its furniture, fittings, and office equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual values, useful lives and depreciation method annually. Future depreciation charge, if any shall be adjusted where the management believes the useful lives and depreciation method differ from previous estimates.

**2.5 New standards and amendments to existing standards**

The significant accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the previous financial year, except for the following new and amended IFRSs and IFRIC interpretations. In the current year, the Company has applied number of amendments to IFRSs and new interpretations issued by International Accounting Standards Board (IASB) that are mandatorily effective for accounting periods beginning on or after 1 January 2017. The adoption of new standards, amendments and revisions to existing standards, as mentioned below, had no significant financial impact on the financial statements of the Company:

**ALINMA TOKIO MARINE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

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**2 BASIS OF PREPARATION (Continued)**

**2.5 New standards and amendments to existing standards (Continued)**

IFRS 14 – “Regulatory Deferral Accounts”, allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first time adoption of IFRS. The standard does not apply to existing IFRS preparers. Also, an entity whose current GAAP does not allow the recognition of rate-regulated assets and liabilities, or that has not adopted such policy under its current GAAP, would not be allowed to recognise them on first-time application of IFRS.

Amendments to IFRS 10 – “Consolidated Financial Statements”, IFRS 12 – “Disclosure of Interests in Other Entities” and IAS 28 – “Investments in Associates”, applicable for the annual periods beginning on or after 1 January 2016, address three issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures its subsidiaries at fair value. Furthermore, only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

Amendments to IFRS 11 – “Joint Arrangements”, applicable for the annual periods beginning on or after 1 January 2016, require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS 3 – “Business Combinations” and other IFRSs that do not conflict with the requirements of IFRS 11 Joint Arrangements. Furthermore, entities are required to disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by one of the parties to the joint operation on its formation. Furthermore, the amendments clarify that, for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held interests in the joint operation must not be remeasured if the joint operator retains joint control.

Amendments in IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgments in presenting the financial reports

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and other comprehensive income (“OCI”) and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. The amendments further clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

**ALINMA TOKIO MARINE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2017**

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**2 BASIS OF PREPARATION (continued)**

**2.5 New standards and amendments to existing standards (Continued)**

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

Amendments to IAS 16 – “Property, Plant and Equipment” and IAS 38 – “Intangible Assets”, restricts the use of ratio of revenue generated to total revenue expected to be generated to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

Amendments to IAS 16 – “Property, Plant and Equipment” and IAS 41 – “Agriculture”, applicable for the annual periods beginning on or after 1 January 2016, change the scope of IAS 16 to include biological assets that meet the definition of bearer plants. Agricultural produce growing on bearer plants will remain within the scope of IAS 41. In addition, government grants relating to bearer plants will be accounted for in accordance with IAS 20 – “Accounting for Government Grants and Disclosure of Government Assistance”, instead of IAS 41.

**2.6 Standards issued but not yet effective**

In addition to the above mentioned standards, the following standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company’s financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. Further, the Company has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards which have been published and are mandatory for compliance for the Company with effect from future dates.

**IFRS 2 Share-based payment**

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

**IFRS 9 Financial Instruments**

The implementation of IFRS 9 is expected to result in a significant portion of financial assets currently classified as available-for-sale being re-classified as at fair value through profit or loss or fair value through other comprehensive income (OCI). Credit allowances for financial assets carried at amortized cost and debt securities measured at fair value, with changes in fair value recognized in OCI, are expected to increase due to the introduction of the expected credit loss methodology. The Company will avail of the exemptions available to insurers and is considering deferring the implementation of IFRS 9 until a later date, but no later than January 1, 2021.

**ALINMA TOKIO MARINE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2017**

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**2 BASIS OF PREPARATION (Continued)**

**2.6 Standards issued but not yet effective (Continued)**

**IFRS 15 Revenue from contracts with customers**

IFRS 15 – “Revenue from Contracts with Customers” applicable from 1 January 2018 presents a five-step model to determine when to recognize revenue, and at what amount. The application of this standard could have a significant impact on how and when revenue is recognized (except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments), with new estimates and judgments, and the possibility of revenue recognition being accelerated or deferred. The Company is currently assessing the implication and effects of adopting IFRS 15 and the management believe that adoption of IFRS 15 will not have a material impact on the Company’s financial statements.

**IFRS 16 Leases**

IFRS 16 – “Leases”, applicable for the period beginning on or after 1 January 2019. The new standard eliminates the current dual accounting model for lessees under IAS 17, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 proposes on-balance sheet accounting model. The impact is not material for the Company.

**IFRS 17 - Insurance Contracts**

IFRS 17 applies to virtually all insurance contracts (including reinsurance contracts) that an entity issues, reinsurance contracts that it holds and investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts. IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2021.

The significant accounting policies used in the preparation of these financial statements are set out below and have been applied consistently unless otherwise stated.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at cost. This comprises of cash in hand, bank balances and Murabaha deposits with an original maturity of three months or less.

**3.2 Impairment and un-collectability of financial assets**

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or a group of financial assets (including reinsurance receivables) may be impaired. If such evidence exists, an impairment loss is recognized in the statement of insurance operations or the statement of shareholders’ operations. Impairment is determined as follows:

- For assets carried at fair value i.e. for investments classified as ‘available for sale’, impairment is the difference between cost and fair value, less any impairment loss recognized in the statement of insurance operations’ or the statement of shareholders’ operations,

**ALINMA TOKIO MARINE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

---

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.2 Impairment and un-collectability of financial assets (Continued)**

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

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

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it 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.

**3.3 Premiums receivable**

Premiums receivable are recognized as a financial asset when the policies are issued and the consideration is receivable. The carrying amount of asset is reduced through the use of an allowance account, and the premium amount of loss is recognized in the statement of insurance operations. Provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms of receivables. Receivables are also analyzed as per the aging and accordingly provision is maintained on a systematic basis.

**3.4 Reinsurance**

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential losses arising from certain exposures. Reinsurance assets (other than those on outstanding claims) represent balances due from reinsurance companies for claims paid by the Company. Recoverable amounts are estimated in a manner consistent with the provision for outstanding claims and are in accordance with the reinsurance contract.

**ALINMA TOKIO MARINE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

---

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.4 Reinsurance (Continued)**

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Reinsurance assets and liabilities are derecognized when the contractual obligation are extinguished or expired. The Company assesses its reinsurance assets for impairment on reporting date, if there is an objective evidence that the reinsurance asset has impaired, the company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognize the impairment loss in the statement of insurance operations.

**3.5 Segment reporting**

A segment is a distinguishable component of the Company's portfolio 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.

**3.6 Leases**

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of insurance operations on a straight-line basis over the term of the lease. Lease incentives are recognized as an integral part of the total lease expense over the term of the lease.

**3.7 Foreign currencies**

Transactions denominated in foreign currencies are recorded in Saudi Riyals (SR) at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to SR at the rate of exchange prevailing at the date of statement of financial position. Exchange differences are taken to the statements of insurance operations or statement of shareholders' operations. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rate at the date of initial transaction and are not subsequently restated. As the Company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant.

**3.8 Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.



**ALINMA TOKIO MARINE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.9 Investments**

Investment income is recognized on an effective yield basis taking account of the principal outstanding and the commission rate applicable. Realized gains or losses on sale of available for sale investments are reported in the related statements of insurance operations or statement of shareholders' comprehensive income. Dividends, commission income and foreign currency gain / loss on AFS investments are recognized at the related statements of insurance operations or statement of shareholders' comprehensive income, as part of the net investment income / loss.

**3.9.1 Held for trading investments**

Held for trading investments represent investments in short term Murabaha funds which are readily marketable and initially recognised at cost being the fair value and subsequently remeasured at fair value. Fair value is determined by reference to the net asset value (NAV) quoted by the fund manager. The resultant realised and unrealised gains and losses are recognised in the statement of shareholders' operations.

**3.9.2 Available-for-sale investments (AFS)**

Investments which are classified as available-for-sale are measured at fair value. Available-for-sale investments are those investments that are either designated in this category or not classified in any other category. For an available-for-sale investments, any gain or loss arising from a change in its fair value is recognized directly in other comprehensive income until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired at which time the cumulative gain or loss previously recognised in other comprehensive income is transferred to and recognised in the statement of shareholders' operations for the year.

**3.10 Property and Equipment**

Property and equipment are measured at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight line basis over the estimated useful lives of assets. The estimated useful lives of assets for calculation of depreciation are as follows:

	Years
Leasehold improvements	5
Furniture and office equipment	5
Computer equipment	3-5

Residual values, useful lives and the method of calculating depreciation are reviewed annually and adjusted, if appropriate. Impairment reviews take place when events or changes in circumstances indicate that the carrying value may not be recoverable. The depreciation charge for the year is recognised in the statement of insurance operations.

**ALINMA TOKIO MARINE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.10 Property and Equipment (Continued)**

Any gain or loss on disposal of a 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 insurance operations.

Expenditures for repair and maintenance is charged to the statement of insurance operations. Improvements that increases the value or materially extend the life of the related assets are capitalised.

**3.11 Retirement Benefit Obligation**

The Company operates a defined benefit plan for employees in accordance with Saudi Labor Law as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia. The cost of providing the benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements for actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding credit to equity through other comprehensive income of the policy holders in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods

Past service cost are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date the Company recognizes related restructuring costs

Net special commission income is calculated by applying the discount rate to the net defined benefit liability. The Company recognises the following changes in the net defined benefit obligation in the statement of income of insurance operations under general and administrative expenses:

- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine-settlements
- Net special commission expense or income

**3.12 Transaction costs**

Transaction costs to raise share capital are incremental costs that are directly attributable to the issuance of share capital and are accounted for as a deduction from equity.

**3.13 Insurance contracts**

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk another party (the policyholder) at the inception of the contract, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk depends upon the probability of occurrence of an insurance event and the magnitude of its potential effect.

**ALINMA TOKIO MARINE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.13 Insurance contracts (Continued)**

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk is significantly reduced subsequently unless all rights and liabilities are extinguished or expired.

**3.14 Liability adequacy test**

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

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

**3.15 Zakat and income tax**

Zakat and income tax are provided for in accordance with Saudi Arabian Fiscal Regulations. Zakat is computed on the zakat base of Saudi founding and general public shareholders' while income tax is computed on the non-Saudi founding shareholders share of net adjusted income.

Zakat and income taxes are accrued and charged to statement of changes in Shareholders' Equity.

**3.16 Revenue recognition**

Gross premiums and commissions are recognised as revenues when the insurance policy is issued. Premiums and commissions are taken into income over the terms of the policies to which they relate on a pro-rata basis.

Unearned premiums and commissions are those proportions of premiums and commissions written in a year that relate to periods of risk after the statement of financial position date. Unearned premiums are calculated on a daily pro-rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums. The unearned portion for marine cargo shall be the premium written during the last three months of the financial year.

Reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into during the year and are recognized in statement of insurance operations from the policy inception date.

**ALINMA TOKIO MARINE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.16 Revenue recognition (Continued)**

Investment income is recognized on an effective yield basis taking account of the principal outstanding and the commission rate applicable. Realized gains or losses on sale of available for sale investments are reported in the related statements of insurance operations or statement of shareholders' comprehensive income. Dividends, commission income and foreign currency gain / loss on AFS investments are recognized at the related statements of insurance operations or statement of shareholders' comprehensive income, as part of the net investment income / loss.

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

**3.17 Claims**

Claims, comprising amounts payable to policyholders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to the statement of insurance operations as incurred. Total outstanding claims comprise the estimated amounts payable, in respect of claims reported to the Company and those not reported at the statement of financial position date.

A provision based on management's judgment is maintained for Incurred But Not Reported ("IBNR") claims at the statement of financial position date.

**3.18 Offsetting**

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

**3.19 Trade date accounting**

All routine purchases and sales of financial assets are initially recognized / derecognized on the trade date (i.e. the date on which the Company becomes a party to the contractual provisions of the instrument). Regular way purchases or sales are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

**3.20 Deferred acquisition costs**

Commission paid to internal sales staff and incremental direct costs incurred in relation to the acquisition and renewal of insurance contracts are deferred and shown as an asset in statement of financial position. The deferred policy acquisition costs are subsequently amortised over the terms of the insurance contracts to which they relate as premiums are earned.

**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2017

**4 CASH AND CASH EQUIVALENTS**

	<i>31 December</i> <i>2017</i> <i>SR' 000</i>	<i>31 December</i> <i>2016</i> <i>SR'000</i>
<i>Insurance operations</i>		
Cash in hand	45	45
Cash at banks – current accounts	14,639	4,263
	<u>14,684</u>	<u>4,308</u>

Cash at bank includes an amount of SR 13.33 million (2016: SR 4.26 million) held with Alinma Bank, a related party.

	<i>31 December</i> <i>2017</i> <i>SR' 000</i>	<i>31 December</i> <i>2016</i> <i>SR'000</i>
<i>Shareholders' operations</i>		
Cash at banks – current accounts	1,474	9,567
Short-term Murabaha deposits	91,705	126,435
	<u>93,179</u>	<u>136,002</u>

Cash at banks includes an amount of SR 1.46 Million (2016: SR 9.56 million) held with Alinma Bank, a related party.

Short-term Murabaha deposits represent deposits with local and foreign financial institutions that have investment grade credit ratings and have an original maturity of less than three months from the date of acquisition, yielding an average profit rate of 2.20% (2016: 2.61%) per annum.

**5 INVESTMENTS**

**(i) Insurance operations**

The Insurance Operations' FVTIS investments have been invested inside the Kingdom of Saudi Arabia in a Trading Finance Fund:

	<i>31 December</i> <i>2017</i> <i>SR' 000</i>	<i>31 December</i> <i>2016</i> <i>SR'000</i>
<i>Investments at fair value through income statement</i>		
Balance at the beginning of the year	-	10,124
Purchased during the year	114,000	35,000
Sold during the year	(68,000)	(45,231)
Realised gain during the year	39	107
Unrealised gain during the year	397	
Balance at the end of the year	<u>46,436</u>	<u>-</u>

**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

**5 INVESTMENTS (Continued)**

**(ii) Shareholders' operations**

This represents investment in Najm for Insurance Services Company (classified as available for sale), equity shares, Shari'ah compliant mutual funds, discretionary portfolios and real estate fund (classified as investment at fair value through income statement "FVTIS") and sukuk (classified as held to maturity investments).

	<i>31 December 2017</i>	<i>31 December 2016</i>
	<i>SR' 000</i>	<i>SR' 000</i>
<b>Investments</b>		
Available for sale investment	1,923	1,923
Investments at fair value through income statement (FVTIS)	121,427	83,379
Investments held to maturity	13,711	14,448
	<u>137,061</u>	<u>99,750</u>
The movement during the year is as follows:		
	<i>31 December 2017</i>	<i>31 December 2016</i>
	<i>SR' 000</i>	<i>SR' 000</i>
<b>Available for sale investment</b>		
Balance at the beginning and end of the year	<u>1,923</u>	<u>1,923</u>
	<i>31 December 2017</i>	<i>31 December 2016</i>
	<i>SR' 000</i>	<i>SR' 000</i>
<b>Investments at fair value through income statement</b>		
Balance at the beginning of the year	83,379	115,802
Purchased during the year	227,295	50,937
Sold during the year	(191,000)	(84,860)
Realised gain / (loss) during the year (note 19)	214	(12)
Unrealised gain during the year (note 19)	1,539	1,512
Balance at the end of the year	<u>121,427</u>	<u>83,379</u>
	<i>31 December 2017</i>	<i>31 December 2016</i>
	<i>SR' 000</i>	<i>SR' 000</i>
<b>Investments held to maturity</b>		
Balance at the beginning of the year	14,448	-
Purchased during the year	-	15,000
Redeemed during the year	(737)	(552)
Balance at the end of the year	<u>13,711</u>	<u>14,448</u>

Investments held to maturity have a tenure of ten years with quarterly partial redemptions, yielding an average profit rate of SIBOR (3M) + 2.125% [2016: SIBOR (3M) + 2.125%] per annum.

**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

**6 PREMIUMS AND REINSURANCE RECEIVABLES, NET**

	<i>31 December 2017</i>	<i>31 December 2016</i>
	<i>SR' 000</i>	<i>SR'000</i>
Premiums receivable	77,485	61,627
Premiums receivable from related party (note 12)	6,567	5,745
Reinsurance receivables	59,601	131,955
	<u>143,653</u>	<u>199,327</u>
Less: Provision for doubtful receivables	(17,263)	(5,407)
	<u>126,390</u>	<u>193,920</u>

These balances comprise amounts receivable from a number of individual and corporate customers as well as insurance companies and reinsurance companies. Arrangements with reinsurers normally require settlement within a mutually agreed period.

The Company classifies balances as 'past due and impaired' on a case-to-case basis. An impairment adjustment is recorded in the statement of insurance operations. It is not the practice of the Company to obtain collateral over receivables.

Movement in the provision for impairment of receivables is as follows:

	<i>31 December 2016</i>	<i>31 December 2015</i>
	<i>SR'000</i>	<i>SR'000</i>
Balance at the beginning of the year	5,407	2,003
Provided during the year (note 18)	11,856	3,404
Balance at the end of the year	<u>17,263</u>	<u>5,407</u>

The age analysis of net premiums and reinsurance receivables arising from insurance contracts is as follows:

	Neither past due nor impaired	Past due but not impaired				Past due and impaired	Total
		Up to 3 months	3 to 6 months	6 to 12 months	Above 12 months		
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
2017	5,735	52,379	37,981	27,564	19,994	(17,263)	126,390
2016	15,185	61,178	104,405	14,928	3,631	(5,407)	193,920

**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2017

**7 MOVEMENT IN UNEARNED PREMIUM RESERVE**

<i>Insurance operations</i>	31 December 2017		
	Gross	Reinsurers' share	Net
	SR'000	SR'000	SR'000
Balance at the beginning of the year	75,403	(40,429)	34,974
Premium written during the year	296,723	(149,732)	146,991
Premium earned during the year	(295,988)	159,864	(136,124)
<b>Balance at the end of the year</b>	<b>76,138</b>	<b>(30,297)</b>	<b>45,841</b>

<i>Insurance operations</i>	31 December 2016		
	Gross	Reinsurers' share	Net
	SR'000	SR'000	SR'000
Balance at the beginning of the year	75,941	(52,279)	23,662
Premium written during the year	321,888	(187,185)	134,703
Premium earned during the year	(322,426)	199,035	(123,391)
<b>Balance at the end of the year</b>	<b>75,403</b>	<b>(40,429)</b>	<b>34,974</b>

**8 OUTSTANDING CLAIMS**

**a) Outstanding claims**

<i>Insurance operations</i>	31 December 2017		
	Gross	Reinsurers share	Net
	SR'000	SR'000	SR'000
<b>Motor</b>			
- Outstanding claims reserve	11,568	(2,964)	8,604
- Incurred but not reported reserve	11,271	-	11,271
- Other reserves	361	-	361
<b>General</b>			
- Outstanding claims reserve	124,736	(121,161)	3,575
- Incurred but not reported reserves	23,603	(14,988)	8,615
- Other reserves	1,496	(905)	591
<b>Protection and savings</b>			
- Outstanding claims reserve	6,151	(4,829)	1,322
- Incurred but not reported reserve	4,347	(3,168)	1,179
- Other reserves	-	-	-
<b>Total outstanding claims</b>	<b>183,533</b>	<b>(148,015)</b>	<b>35,518</b>



**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

**8 OUTSTANDING CLAIMS (continued)**

**a) Outstanding claims (Continued)**

<i>Insurance operations</i>	<i>31 December 2016</i>		
	Gross	Reinsurers share	Net
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<b>Motor</b>			
- Outstanding claims reserve	28,297	(11,902)	16,395
- Incurred but not reported reserve	24,427	(10,434)	13,993
- Other reserves	4,320	-	4,320
<b>General</b>			
- Outstanding claims reserve	73,622	(71,133)	2,489
- Incurred but not reported reserves	37,969	(32,252)	5,717
- Other reserves	513		513
<b>Protection and savings</b>			
- Outstanding claims reserve	10,079	(8,271)	1,808
- Incurred but not reported reserve	4,232	(3,386)	846
- Other reserves		-	-
<b>Total outstanding claims</b>	<b>183,459</b>	<b>(137,378)</b>	<b>46,081</b>

**b) Incurred claims**

<i>Insurance operations</i>	<i>For the year ended 31 December 2017</i>			
	Motor	General	Protection and savings	Total
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Claims paid	103,678	76,849	15,154	195,681
Reinsurers' share of claims paid	(23,555)	(73,693)	(11,755)	(109,003)
<b>Net claims paid</b>	<b>80,123</b>	<b>3,156</b>	<b>3,399</b>	<b>86,678</b>
Changes in outstanding claims, IBNR and other reserves	(33,845)	37,734	(3,815)	74
Changes in reinsurers' share of outstanding claims, IBNR and other reserves	19,372	(33,670)	3,661	(10,637)
Changes in net outstanding claims, IBNR and other reserves	(14,473)	4,064	(154)	(10,563)
<b>Total incurred claims</b>	<b>65,650</b>	<b>7,220</b>	<b>3,245</b>	<b>76,115</b>

**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2017

**8 OUTSTANDING CLAIMS (Continued)**

**b) Incurred claims (Conitnued)**

<i>Insurance operations</i>	For the year ended 31 December 2016			
	Motor	General	Protection and savings	Total
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Claims paid	118,566	57,762	13,573	189,901
Reinsurers' share of claims paid	(56,451)	(53,323)	(10,886)	(120,660)
Net claims paid	62,115	4,439	2,687	69,241
Changes in outstanding claims, IBNR and other reserves	31,542	59,311	5,988	96,841
Changes in reinsurers' share of outstanding claims, IBNR and other reserves	(13,427)	(57,339)	(4,956)	(75,722)
Changes in net outstanding claims, IBNR and other reserves	18,115	1,972	1,032	21,119
Total incurred claims	80,230	6,411	3,719	90,360

General segment includes marine, fire, engineering, health and general accident.

**9 PREPAYMENTS AND OTHER ASSETS**

	31 December 2017 <i>SR' 000</i>	31 December 2016 <i>SR'000</i>
<i>Insurance operations</i>		
Prepayments	7,777	962
Bank guarantees	1,184	1,244
Other receivables	4,092	2,722
	13,053	4,928
<i>Shareholders' operations</i>		
Prepayments	121	55
Accrued income	1,572	1,535
	1,693	1,590

**10 STATUTORY DEPOSIT**

	31 December 2017 <i>SR' 000</i>	31 December 2016 <i>SR' 000</i>
<i>Shareholders' operations</i>		
Statutory deposit	45,000	45,000

In accordance with the Saudi Arabian Implementing Regulations issued by SAMA, the Company has deposited an amount equivalent to 15% (2016: 10%) of its paid up share capital in a bank account designated by SAMA.

This is a restricted deposit and cannot be utilized in the operations of the Company.

**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

**11 PROPERTY AND EQUIPMENT**

*Insurance operations*

<b>31 December 2017</b>				
	<b>Leasehold improvements</b>	<b>Furniture, fittings and office equipment</b>	<b>Computer equipment</b>	<b>Total</b>
	<b>SR'000</b>	<b>SR'000</b>	<b>SR'000</b>	<b>SR'000</b>
<b>Cost</b>				
Balance at the beginning of the year	3,070	1,715	11,413	16,198
Additions during the year	875	391	1,904	3,170
Balance at the end of the year	<b>3,945</b>	<b>2,106</b>	<b>13,317</b>	<b>19,368</b>
<b>Accumulated depreciation</b>				
Balance at the beginning of the year	1,118	843	7,647	9,608
Charge for the year	590	270	1,789	2,649
Balance at the end of the year	<b>1,708</b>	<b>1,113</b>	<b>9,436</b>	<b>12,257</b>
<b>Net book value</b>				
31 December 2017	<b>2,237</b>	<b>993</b>	<b>3,881</b>	<b>7,111</b>
<b>31 December 2016</b>				
	<b>Leasehold improvements</b>	<b>Furniture, fittings and office equipment</b>	<b>Computer equipment</b>	<b>Total</b>
	<b>SR'000</b>	<b>SR'000</b>	<b>SR'000</b>	<b>SR'000</b>
<b>Cost</b>				
Balance at the beginning of the year	2,777	1,495	10,056	14,328
Additions during the year	293	220	1,357	1,870
Balance at the end of the year	<b>3,070</b>	<b>1,715</b>	<b>11,413</b>	<b>16,198</b>
<b>Accumulated depreciation</b>				
Balance at the beginning of the year	549	497	5,478	6,524
Charge for the year	569	346	2,169	3,084
Balance at the end of the year	<b>1,118</b>	<b>843</b>	<b>7,647</b>	<b>9,608</b>
<b>Net book value</b>				
31 December 2016	<b>1,952</b>	<b>872</b>	<b>3,766</b>	<b>6,590</b>

**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

**12 TRANSACTIONS WITH RELATED PARTIES**

- 12.1 In the ordinary course of business, the Company transacts with related parties. Transactions with related parties are carried out on an arm's length basis.
- 12.2 In addition to the notes 4 and 5, following are the details of major related party transactions during the year and the related balances at the end of the year:

Nature of Transaction	Related party	Transactions		Balances	
		For the year ended 31 December 2017	For the year ended 31 December 2016	As at 31 December 2017	As at 31 December 2016
		SR'000	SR'000	SR'000	SR'000
Gross written premium	Shareholder	24,246	33,357	6,567	5,745
Reinsurance premiums Ceded	Shareholder	3,989	4,770	3,897	5,047
Claims paid net of recoveries	Shareholder	24,189	15,930	339	(70)
Reinsurance Commission	Shareholder	739	1,121	-	-
Agency Commission	Other related party	993	656	465	139
Investments	Other related party	10,255	70,363	63,294	48,860
General and administrative expenses	Shareholder / Shareholders Operations'	2,262	2,284	8	-
General and administrative expenses	Shareholder / Insurance Operations'	1,899	1,309	306	-
Bank balances	Shareholder	-	-	14,792	13,820

**12.3 Information relating to key management personnel**

	For the year ended 31 December 2017	For the year ended 31 December 2016
	SR'000	SR'000
Short-term benefits	5,057	6,013
Long-term benefits	1,393	377

Short-term benefits include salaries and allowances whilst long-term benefits include retirement benefit obligation.

**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

**12 TRANSACTIONS WITH RELATED PARTIES (Continued)**

	For the year ended 31 December 2017 <i>SR'000</i>	For the year ended 31 December 2016 <i>SR'000</i>
12.4 Board and sub-committee related expenses:		
Board of director's remuneration	<u>1,610</u>	<u>1,020</u>
Board and sub-committees attendance fee	<u>452</u>	<u>305</u>

Board and sub-committees attendance fees represent allowances for attending board and sub-committee meetings.

**13 ACCRUED EXPENSES AND OTHER LIABILITIES**

*Insurance operations*

	31 December 2017 <i>SR'000</i>	31 December 2016 <i>SR'000</i>
Accrued expenses	21,146	3,937
Brokers commission	8,564	7,640
Payable to policyholders	4,780	6,441
Payable to local and regulatory authorities	5,264	3,139
Other payables	7,574	3,237
Coinsurance commission	20	-
	<u>47,348</u>	<u>24,394</u>

*Shareholders' operations*

Accrued expenses	<u>3,641</u>	<u>3,819</u>
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**14 RETIREMENT BENEFIT OBLIGATION**

The following tables summarise the components of retirement benefit obligation recognised in the statement of insurance operations, and amounts recognised in the statement of comprehensive income and statement of financial position of insurance operations:

**Principal actuarial assumption at 31 December 2017**

Discount rate	4%
Salary increase rate	3%

	Year ended 31 December 2017 <i>SR'000</i>
Amount recognised in the statement of financial position	
Present value of retirement benefits obligation	4,273
Fair value of retirement benefit obligation	4,273
Net liability at end of the year	4,273

**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2017

**14 RETIREMENT BENEFIT OBLIGATION (Continued)**

	<b>Year ended 31 December 2017 SR"000"</b>
<b>Benefit expense (recognised in profit or loss)</b>	
Current service cost	1,280
Commission rate cost	118
Benefit expense	233
<b>Movement in the present value of retirement benefit obligation</b>	
Present value of retirement benefits obligation at beginning of the year	2,783
Current service cost	1,280
Commission rate cost	118
Actuarial loss on retirement benefit obligation	325
Benefits paid	(233)
Present value of retirement benefits obligation at end of the year	<u>4,273</u>
	<b>Year ended 31 December 2017 SR"000"</b>
<b>Movement in net liability recognised in balance sheet</b>	
Net liability at beginning of the year	2,783
Charge recognised in profit or loss	1,398
Actuarial loss recognised in other comprehensive income	325
End of service benefits paid	(233)
Net liability at end of the year	<u>4,273</u>

**15 ZAKAT AND INCOME TAX**

	<i>For the year ended 31 December 2017 SR' 000</i>	<i>For the year ended 31 December 2016 SR'000</i>
Zakat payable	4,398	4,217
Income Tax payable	626	(17)
	<u>5,024</u>	<u>4,200</u>
<b>(a) Zakat</b>		

The Company's zakat and income tax liability for the year is calculated in accordance with the provisions of Zakat regulations applicable in the Kingdom of Saudi Arabia.

As the zakat base for the year is higher than the adjusted net loss, the zakat for the year is calculated at the rate of 2.5% of the zakat base for the year.

**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

**15 ZAKAT AND INCOME TAX (Continued)**

The difference between the accounting income and the adjusted net loss is mainly due to provisions which are not allowed in the calculation of adjustable net income. Local shareholding used for the Zakat calculation is 71.25%

The movement in the Zakat provision for the year is as follows:

	For the year ended 31 December 2017	For the year ended 31 December 2016
	SR'000	SR'000
Balance at the beginning of the year	4,217	1,069
Zakat charge for the year	4,516	3,835
Zakat payment made during the year	(4,335)	(687)
<b>Balance at the end of the year</b>	<b>4,398</b>	<b>4,217</b>

During 2017, the General Authority for Zakat and Tax (GAZT) has issued assessments for the years from 2012 to 2015, requiring an additional zakat and WHT liability amounting to SR 5.5 million and SR 2.9 million respectively. The Company has filed an appeal against the assessment of GAZT for the additional liability arising out of various disallowances for year from 2012 to 2015 with Preliminary Appeal Committee (PAC). The Company has obtained limited certificates for the year from 2012 to 2016. Zakat and income tax assessment for the year 2016 is currently under review by the GAZT.

**(b) Income tax**

Provision for income tax has been made at 20% of the adjusted net income attributable to the foreign shareholding of the Company. Foreign shareholding subject to income tax is 28.75%

	For the year ended 31 December 2017	For the year ended 31 December 2016
	SR'000	SR'000
Balance at the beginning of the year	(17)	-
Tax charge for the year	643	-
Advance tax paid during the year	-	(17)
<b>Balance at the end of the year</b>	<b>626</b>	<b>(17)</b>

**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

**16 SHARE CAPITAL**

The authorized, issued and paid-up share capital of the Company is SR 300 million as at 31 December 2017 (2016: SR 450 million) consisting of 30 million shares (2016: 45 million shares) of SR 10 each.

On 15th February 2017, the board of directors have recommended to the shareholders to reduce the Company's share capital from SR 450,000,000 to SR 300,000,000 through writing off accumulated losses of SR 150,000,000. Due to the capital reduction there is no effect on the Company's financial obligations. The proposed capital reduction has been approved by the regulatory bodies and by its shareholders in the General Assembly held on 10 May, 2017. During the year ended 31 December, 2017 the Company has incurred transaction costs of SR 403 thousands in respect of reduction in share capital, which has been charged directly to Statement of changes in shareholder's equity.

**17 NET EARNED PREMIUMS**

	For the year ended 31 December 2017 SR'000	For the year ended 31 December 2016 SR'000
<i>Insurance operations</i>		
Gross written premiums	296,723	321,888
Gross unearned premiums at the beginning of the year	75,403	75,941
Gross unearned premiums at the end of the year	(76,138)	(75,403)
Gross earned premiums	295,988	322,426
Reinsurance premiums ceded	(142,711)	(187,185)
Excess of loss expenses	(7,021)	(8,077)
	(149,732)	(195,262)
Reinsurers' share of unearned premiums at the beginning of the year	(40,429)	(52,279)
Reinsurers' share of unearned premiums at the end of the year	30,297	40,429
Reinsurance Premiums earned	(159,864)	(207,112)
Net earned premiums	136,124	115,314

**18 GENERAL AND ADMINISTRATIVE EXPENSES**

	For the year ended 31 December 2017 SR'000	For the year ended 31 December 2016 SR'000
<i>Insurance operations</i>		
Employees cost	36,656	34,721
Maintenance	5,485	3,514
Depreciation (note 11)	2,649	3,084
Rental	1,313	1,350
Legal and professional fees	1,439	331
Bad debts written off	-	18
Others	3,111	2,921
	50,653	45,939
Provision for doubtful receivables (note 6)	11,856	3,404
	62,509	49,343



**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

**18 GENERAL AND ADMINISTRATIVE EXPENSES (Continued)**

*Shareholders' operations*

Legal and professional fees	2,105	1,201
Directors' remuneration (note 12)	1,610	1,020
Board and sub-committee attendance fee (note 12)	452	305
Others	60	718
	<b>4,227</b>	<b>3,244</b>

**19 INVESTMENT AND OTHER INCOME**

*Insurance operations*

**Investments at fair value through income statement**

- Realized gain during the year	5(i)	39	107
- Unrealized gain during the year	5(i)	<b>397</b>	-

**Investment and other income**

For the year ended 31 December 2017	For the year ended 31 December 2016
SR'000	SR'000
<b>436</b>	<b>107</b>

*Shareholders' operations*

**Investments at fair value through income statement**

- Realized gain / (loss) during the year	5(ii)	215	(12)
- Unrealized gain during the year	5(ii)	1,539	1,512
- Dividend income for the year		19	19
		<b>1,773</b>	<b>1,519</b>

**Investments held to maturity**

- Income from Sukuks	570	447
- Income on Murabaha Deposits	2,101	4,779

**Available for sale investments**

- Dividend income	-	385
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**Other income**

**Investment income**

For the year ended 31 December 2017	For the year ended 31 December 2016
SR'000	SR'000
<b>4,444</b>	<b>7,130</b>

**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

**20 BASIC AND DILUTED LOSS PER SHARE**

Loss per share for the year has been calculated by dividing the net loss for the year by the weighted average number of outstanding shares at the year end.

The weighted average number of shares have been retrospectively adjusted for all prior periods to reflect the effect of capital reduction as follows:

The basic and diluted loss per share are as follows:

	<i>31 December 2017</i>	<i>31 December 2016</i>
	<i>SR'000</i>	<i>SR'000</i>
Net loss for the year	(3,319)	(17,437)
Weighted average number of ordinary shares (restated)	30,000	30,000
Basic and diluted loss per share (restated)	(0.111)	(0.581)

**21 RISK MANAGEMENT**

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

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations as they fall due. Liquidity requirements are monitored on a timely basis and management ensures that sufficient liquid funds are available to meet any financial obligation as they arise.

**Maturity profile**

**Insurance operations' assets**

	<b>31 December 2017</b>		
	<b>Less than one year</b>	<b>More than one year</b>	<b>Total</b>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
Cash and cash equivalents	14,684	-	14,684
Premiums and reinsurance receivables, net	126,390	-	126,390
Reinsurers' share of outstanding claims	148,015	-	148,015
Reinsurers' share of unearned premiums	30,297	-	30,297
Deferred policy acquisition costs	7,529	-	7,529
Prepayments and other assets	13,053	-	13,053
Investments	46,436	-	46,436
Unit linked investments	-	8,400	8,400
	<b>386,404</b>	<b>8,400</b>	<b>394,804</b>

**Shareholders' assets**

	<b>31 December 2017</b>		
	<b>Less than one year</b>	<b>More than one year</b>	<b>Total</b>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
Cash and cash equivalents	93,179	-	93,179
Investments	137,061	-	137,061
Prepayments and other assets	1,693	-	1,693
Due from a related party	8	-	8
	<b>231,941</b>	<b>-</b>	<b>231,941</b>

**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2017

**21 RISK MANAGEMENT (continued)**

**Maturity profile (continued)**

**Insurance operations' assets**

Cash and cash equivalents
Premiums and reinsurance receivables, net
Reinsurers' share of outstanding claims
Reinsurers' share of unearned premiums
Deferred policy acquisition costs
Prepayments and other assets
Investments
Unit linked investments

31 December 2016		
Less than one year	More than one year	Total
SR '000	SR '000	SR '000
4,308	-	4,308
193,920	-	193,920
137,378	-	137,378
40,429	-	40,429
5,438	-	5,438
4,928	-	4,928
46,436	-	46,436
-	3,471	3,471
432,837	3,471	436,308

**Shareholders' assets**

Cash and cash equivalents
Investments
Prepayments and other assets

31 December 2016		
Less than one year	More than one year	Total
SR '000	SR '000	SR '000
136,002	-	136,002
99,750	-	99,750
1,590	-	1,590
237,342	-	237,342

**Insurance operations' liabilities**

Gross outstanding claims
Reinsurance balances payable
Accrued expenses and other liabilities
Unit linked liabilities
Due to shareholders' operations

31 December 2017		
Less than one year	More than one year	Total
SR '000	SR '000	SR '000
183,533	-	183,533
61,390	-	61,390
47,348	-	47,348
-	8,400	8,400
14,497	-	14,497
306,768	8,400	315,168

**Shareholders' liabilities**

Accrued expenses and other liabilities
Zakat and income tax payable

31 December 2017		
Less than one year	More than one year	Total
SR '000	SR '000	SR '000
3,641	-	3,641
5,024	-	5,024
8,665	-	8,665

**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

**21 RISK MANAGEMENT (continued)**

	31 December 2016		
	Less than one year	No term	Total
	SR '000	SR '000	SR '000
Insurance operations' liabilities			
Gross outstanding claims	183,459	-	183,459
Reinsurance balances payable	82,618	-	82,618
Accrued expenses and other liabilities	24,394	-	24,394
Unit linked liabilities	-	3,471	3,471
Due to shareholders' operations	17,331	-	17,331
	<u>307,802</u>	<u>3,471</u>	<u>311,273</u>
	31 December 2016		
	Less than one year	No term	Total
	SR '000	SR '000	SR '000
Shareholders' liabilities			
Accrued expenses and other liabilities	3,819	-	3,819
Zakat and income tax payable	4,200	-	4,200
	<u>8,019</u>	<u>-</u>	<u>8,019</u>

To manage the liquidity risk arising from above financial liabilities, the Company holds liquid assets comprising cash and cash equivalents and investment securities for which there is an active market except for unquoted equity instruments. These assets can be readily sold to provide additional liquidity when needed.

**Credit risk**

Credit risk is the risk that arises with a possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position. The Company's credit risk exposure relating to customers and deposits is mainly concentrated in Saudi Arabia.

The Company seeks to limit its credit risk with respect to customers by following the Company's credit control policy and monitoring outstanding receivables on an ongoing basis in order to reduce the Company's exposure to bad debts. Management estimates specific impairment provision on a case to case basis. The Company seeks to limit its credit risk with respect to other counterparties by placing deposits with reputable banks. The Company enters into reinsurance contracts with reinsurers having minimum acceptable credit rating by recognized rating agencies that is not lower than BBB (with Standard and Poor's) and AA- (with AM Best).

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

	31 December 2017	31 December 2016
	SR'000	SR'000
Insurance operations' assets		
Cash and cash equivalents	14,684	4,308
Premiums and reinsurance receivables, net	126,390	193,920
Reinsurers' share of outstanding claims	148,015	137,378
	<u>289,089</u>	<u>335,606</u>

**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

**21 RISK MANAGEMENT (continued)**

	<i>31 December 2017</i>	<i>31 December 2016</i>
	<i>SR'000</i>	<i>SR'000</i>
<b>Shareholders' assets</b>		
Cash and cash equivalents	93,179	136,002
Statutory deposit	45,000	45,000
	<u>138,179</u>	<u>181,002</u>

**Concentration of credit risk**

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is not broadly diversified however, transactions are entered into with credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

**Market risk and asset liability management**

Market risk is the risk that the value of a financial instrument may fluctuate as a result of changes in market commission rates or the market price of securities or the instrument, change in market sentiments, speculative activities, supply and demand for securities and liquidity in the market.

The Board of Directors of the Company ensures that the overall market risk exposure is maintained at prudent levels and is consistent with the available capital. While the Board gives a strategic direction and goals, risk management function related to market risk is mainly the responsibility of the Investment Committee. The Committee prepares forecast showing the effects of various possible changes in market conditions related to risk exposures. This risk is being mitigated through proper selection of securities. The Company maintains a diversified portfolio and performs regular monitoring of developments in related markets. In addition, the key factors that affect shares and bond market movements are monitored, including analysis of the operational and financial performance of investees.

Market risk comprises three types of risks: commission rate risk, currency risk, and market price risk.

**Commission rate risk**

Commission rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the commission rates.

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

	<i>Less than 1 year</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Non- commission bearing</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<b>Shareholders' operations</b>					
2017	-	13,711	-	121,427	135,138
2016	-	14,448	-	83,379	97,827

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

**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

**21 RISK MANAGEMENT (continued)**

***Foreign currency risk***

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management believes that there is a minimal risk of significant losses due to exchange rate fluctuations, as the Company primarily deals in Saudi Riyals

***Market Price Risk***

Market price risk is the risk that the fair value or future cash flows of financial instruments 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's investments amounting to SR 135.14 million (2016: SR 97.8 million) representing investments in trade finance fund, multi asset fund, discretionary portfolios and equity stocks, are susceptible to market price risk arising from uncertainty about the future value of investment securities. The Company limits this nature of market risk by diversifying its investment portfolio and by actively monitoring the developments in markets.

Had all investments, other than commission bearing, been measured at fair values as required by IAS 39, Financial Instruments: Recognition and Measurement, the impact of hypothetical change of a +/-10% in the Net Asset Value of the funds, with all other variables held constant, would impact the shareholders' operations by +/- SR 9.7 million (2015: SR 11.58 million).

The sensitivity analysis presented is based upon the portfolio position as at 31 December 2017. Accordingly, the sensitivity analysis prepared is not necessarily indicative of the effect on the Company's assets of future movements in the value of investments held by the Company.

***Sensitivity analysis***

The Company believes that the claim liabilities under insurance contracts outstanding at the year end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The insurance claim liabilities are sensitive to various assumptions. It is not possible to quantify sensitivity of specific variable such as legislative changes or uncertainty in the estimation process. However, the sensitivity to changes in claim liabilities net of reinsurance by 10 percent is analyzed separately for each class of business while keeping all other assumptions constant.

**2017**

***Impact of change in claim liabilities by +/- 10%***

	<i>Net loss</i>	<i>Shareholders' equity</i>
	<i>SR'000</i>	<i>SR'000</i>
Motor	2,024	2,024
General	1,278	1,278
Protection and savings	250	250

**2016**

***Impact of change in claim liabilities by +/- 10%***

	<i>Net loss</i>	<i>Shareholders' equity</i>
	<i>SR'000</i>	<i>SR'000</i>
Motor	3,471	3,471
General	872	872
Protection and savings	265	265

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2017

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**21 RISK MANAGEMENT (continued)**

*Sensitivity analysis (continued)*

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

*Insurance risk*

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

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

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

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

*Re-insurance risk*

Similar to other insurance companies, in order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for reinsurance purposes.

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

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

- Minimum acceptable credit rating by recognized rating agencies (e.g. S&P) that is not lower than BBB or equivalent.
- Reputation of particular reinsurance companies.
- Existing or past business experience with the reinsurer.

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

**ALINMA TOKIO MARINE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

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**21 RISK MANAGEMENT (continued)**

***Re-insurance risk (continued)***

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

***Frequency and severity of claims***

The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risks, civil riots etc. The Company manages these risk through the measures described above. The Company has limited its exposure to catastrophic and riot events by use of reinsurance arrangements.

***Concentration of insurance risk***

The Company monitors concentration of insurance risks primarily by class of business. The major concentration lies in Motor and Group credit businesses.

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

Since the Company operates majorly in Saudi Arabia only, most of the insurance risks relate to policies written in Saudi Arabia.

***Sources of uncertainty in estimation of future claim payments***

The key source of estimation uncertainty at the statement of financial position date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one off occurrence, changes in market factors such as public attitude to claiming and economic conditions.

Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the balance sheet date. The details of estimation of outstanding claims and technical reserves are given under note 11.



**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

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**21 RISK MANAGEMENT (continued)**

*Process used to decide on assumptions*

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

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

*Operational risk*

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

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Senior management ensures that the Company's staff have adequate training and experience and fosters effective communication related to operational risk management.

**ALINMA TOKIO MARINE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

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**21 RISK MANAGEMENT (continued)**

***Regulatory framework risk***

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

***Capital management risk***

The Company manages its capital to ensure that it is able to continue as a going concern and comply with the regulator's capital requirements of the markets in which the Company operates while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid up share capital, reserves and accumulated losses.

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

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

The Company is in compliance with the regulatory requirements and no change has been made to the capital base or to the objectives, policies and processes for managing capital.

**22 FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value there is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of operations or undertake a transaction on adverse terms. The Company's financial assets consist of cash and cash equivalents, premiums and reinsurance receivables, Murabaha deposit, reinsurance share of outstanding claims, investments and accrued income and its financial liabilities consist of reinsurance balance payables, accrued expenses and gross outstanding claims. The fair values of financial assets and liabilities are not materially different from their carrying values at the statement of financial position date.

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2017

**22 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

The table below presents the financial instruments at their fair values based on their fair value hierarchy.

*Shareholders' operations*

As at 31 December 2017	Level 1 SR'000	Level 2 SR'000	Level 3 SR'000	Total SR'000
<b>Available for sale investment</b>				
- Investment in unquoted equity*	-	-	1,923	1,923
<b>Fair value through income statements</b>				
- Investment in multi assets mutual funds, equity shares and discretionary portfolios	121,427	-	-	121,427
<b>Investments held to maturity</b>				
Sukuk	-	13,711	-	13,711
<b>Total</b>	<b>121,427</b>	<b>13,711</b>	<b>1,923</b>	<b>137,061</b>
As at 31 December 2016	Level 1 SR'000	Level 2 SR'000	Level 3 SR'000	Total SR'000
<b>Fair value through income statements</b>				
- Investment in multi assets mutual funds, equity shares and discretionary portfolios	83,379	-	-	83,379
<b>Available for sale investment</b>				
- Investment in equity shares	-	-	1,923	1,923
<b>Investments held to maturity</b>				
Sukuk	-	14,448	-	14,448
<b>Total</b>	<b>83,379</b>	<b>14,448</b>	<b>1,923</b>	<b>99,750</b>

\*As the fair value of the available for sale unquoted investment is not readily available, this investment is carried at cost and reviewed annually by the management for impairment.

*Insurance operations*

As at 31 December 2017	Level 1 SR'000	Level 2 SR'000	Level 3 SR'000	Total SR'000
<b>Fair value through income statements</b>				
- Investment in Trade Finance Fund	46,436	-	-	46,436
As at 31 December 2016	Level 1 SR'000	Level 2 SR'000	Level 3 SR'000	Total SR'000
<b>Fair value through income statements</b>				
- Investment in Trade Finance Fund	-	-	-	-

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

**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

**23 CLAIMS DEVELOPMENT TABLE**

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

Claims triangulation analysis by accident years for the last four years is set out below;

**2017**

Accident year	2013 SR'000	2014 SR'000	2015 SR'000	2016 SR'000	2017 SR'000	Total SR'000
Estimate of ultimate claims cost						
At the end of accident year	5,280	19,572	22,352	53,361	95,396	195,961
One year later	2,234	6,017	10,842	25,563	-	44,656
Two years later	748	3,851	315	-	-	4,914
Three years later	(3)	739	-	-	-	736
Four years later	181	-	-	-	-	181
Current estimate of cumulative net claims	8,440	30,179	33,509	78,924	95,396	246,448
Cumulative payments to date	(8,431)	(29,794)	(33,832)	(72,235)	(66,639)	(210,931)
Net liability recognised in the statement of financial position	9	385	(323)	6,689	28,757	35,517

**24 CHANGE IN ACCOUNTING POLICY**

Effective 1 January 2017, based on the Circular issued by SAMA in relation to the 'Accounting of Zakat and Income tax', the Company amended its accounting policy to charge zakat directly to retained earnings/accumulated losses instead of a charge within statement of shareholders' comprehensive income.

The Company has accounted for this change retrospectively, which has resulted in an increase in the total shareholders' comprehensive income by SR 3.83 million for the year ended 31 December 2016 (refer note 11 for restated EPS). The above change has no impact on any of the components of the shareholders' equity of prior periods presented earlier.

**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

**25 CONTINGENCIES AND COMMITMENTS**

As at 31 December 2017 the Company's banker has issued letters of guarantee of SR 1.18 million (2016: SR 1.09 million) to various customers, motor agencies and workshops as per the terms of their respective agreements which have been classified under prepayments and other assets in the statement of financial position. The Company has no capital commitments as at 31 December 2017 and 31 December 2016.

**26 SEGMENT REPORTING**

Segment information is presented in respect of the Company's business segments which are fire, marine, general accident, engineering, motor and protection and savings based on the Company's management and internal reporting structure.

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

Segment assets do not include cash and bank balances, investments, premiums and reinsurance receivables, due from shareholders' operations, prepayments and other assets and fixed assets.

Segment liabilities do not include reinsurance balance payable, accrued expenses and other liabilities and retirement benefit obligation.

Segment results do not include general and administrative expenses

The unallocated assets and liabilities are reported to the Chief Executive Officer on a cumulative basis and not reported under the related segment.

Consistent with the Company's internal reporting process, operating segments have been approved by management in respect of the Company's activities, assets and liabilities. Information disclosed in the note is based on current reporting to the Chief Executive Officer.

The segment results for the year ended 31 December 2017 and 2016 are as follows:

	For the year ended 31 December 2017						
	Fire	Marine	General accident	Engineering	Motor	Protection and savings	Medical
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
<b>REVENUES</b>							
Gross written premiums	66,528	48,458	19,132	8,759	115,047	30,848	7,951
Reinsurance premiums ceded	(63,545)	(45,642)	(13,111)	(7,761)	(485)	(12,167)	-
Excess of loss expenses	(762)	(1,161)	(1,340)	(379)	(3,379)	-	-
Net written premiums	2,221	1,655	4,681	619	111,183	18,681	7,951
Net change in unearned premiums	(501)	(221)	(839)	(69)	(3,660)	(2,465)	(3,112)
Net earned premiums	1,720	1,434	3,842	550	107,523	16,216	4,839
Reinsurance commission earned and other income	10,872	8,475	3,668	1,671	193	-	-
<b>Total insurance revenues</b>	<b>12,592</b>	<b>9,909</b>	<b>7,510</b>	<b>2,221</b>	<b>107,716</b>	<b>16,216</b>	<b>4,839</b>
<b>CLAIMS AND EXPENSES</b>							
Net claims incurred	(688)	(1,287)	9	(26)	(65,650)	(3,245)	(5,228)
Policy acquisition costs	(5,367)	(2,585)	(1,788)	(742)	(11,968)	(943)	(232)
Inspection and supervision fees	(322)	(235)	(93)	(42)	(558)	(154)	(119)
Change in unit linked reserves	-	-	-	-	-	(4,929)	-
Surrenders	-	-	-	-	-	(133)	-
Other underwriting income	-	-	-	-	3,884	-	-
Net underwriting results	6,215	5,802	5,638	1,411	33,424	6,812	(740)
Investment income	-	-	-	-	-	-	-
General and administrative expenses	-	-	-	-	-	-	-
Allowance for doubtful receivables	-	-	-	-	-	-	-
<b>Net deficit from insurance operations</b>							

**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

**26 SEGMENT REPORTING (Continued)**

	For the year ended 31 December 2016						
	Fire	Marine	General accident	Engineering	Motor	Protection and savings	Medical
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
<b>REVENUES</b>							
Gross written premiums	53,677	38,481	17,421	5,513	172,893	26,758	7,145
Reinsurance premiums ceded	(52,682)	(36,746)	(13,764)	(4,930)	(64,407)	(14,656)	-
Excess of loss expenses	(169)	(918)	(496)	(120)	(6,374)	-	-
Net written premiums	826	817	3,161	463	102,112	12,102	7,145
Net change in unearned premiums	(177)	560	471	(153)	(9,891)	227	(2,349)
Net earned premiums	649	1,377	3,632	310	92,221	12,329	4,796
Reinsurance commission earned and other income	9,343	8,055	3,487	1,428	533	-	-
Total insurance revenues	9,992	9,432	7,119	1,738	92,754	12,329	4,796
							138,160
<b>CLAIMS AND EXPENSES</b>							
Net claims incurred	(221)	(3,154)	999	(342)	(80,231)	(3,718)	(3,693)
Policy acquisition costs	(3,938)	(1,872)	(1,197)	(585)	(11,764)	(517)	(201)
Inspection and supervision fees	(258)	(184)	(80)	(22)	(864)	(142)	(107)
Change in unit link reserve	-	-	-	-	-	(1,964)	-
Surrenders	-	-	-	-	-	(160)	-
Other underwriting income	-	-	-	-	3,914	-	-
Net underwriting results	5,575	4,222	6,841	789	3,809	5,828	795
Investment income							161
General and administrative expenses							(45,939)
Allowance for doubtful receivables							(3,404)
Net deficit from insurance operations							(21,323)

The segment information relating to the statement of financial position as at 31 December 2017 and 2016 is as follows:

	As at 31 December 2017						
	Fire	Marine	General accident	Engineering	Motor	Protection and saving	Medical
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
<b>ASSETS</b>							
Reinsurers' share of outstanding claims	91,980	34,089	6,453	4,532	2,964	7,997	-
Reinsurers' share of unearned premiums	14,444	10,260	3,063	2,450	32	48	-
Deferred policy acquisition costs	1,763	802	722	459	3,152	253	378
Unit link investments	-	-	-	-	-	8,400	-
Unallocated assets							207,674
Total assets							401,915

	As at 31 December 2017						
	Fire	Marine	General accident	Engineering	Motor	Protection and saving	Medical
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
<b>LIABILITIES</b>							
Outstanding claims	93,514	36,006	7,618	4,926	23,200	10,498	7,771
Unearned premiums	15,395	11,113	5,467	2,919	33,237	2,545	5,462
Unearned reinsurance commission	3,181	1,820	853	801	6	-	-
Unit link liabilities	-	-	-	-	-	8,400	-
Unallocated liabilities							127,183
Total liabilities							401,915

**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

**26 SEGMENT REPORTING (Continued)**

	As at 31 December 2016						
	Fire	Marine	General accident	Engineering	Motor	Protection and saving	Medical
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
<b>ASSETS</b>							
Reinsurers' share of outstanding claims	66,834	25,753	6,148	4,650	22,336	11,657	-
Reinsurers' share of unearned premiums	12,078	11,095	2,944	4,527	9,734	51	-
Deferred policy acquisition costs	1,268	710	419	334	2,602	6	99
Unit linked investments	-	-	-	-	-	3,471	-
Unallocated assets							
Total assets							

137,378  
40,429  
5,438  
3,471  
209,746  
396,462

	As at 31 December 2016						
	Fire	Marine	General accident	Engineering	Motor	Protection and saving	Medical
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
<b>LIABILITIES</b>							
Outstanding claims	68,863	27,305	7,511	5,039	57,044	14,311	3,386
Unearned premiums	12,527	11,727	4,509	4,927	39,282	82	2,349
Unearned insurance commission	2,572	2,390	1,069	835	137	-	-
Unit linked liabilities	-	-	-	-	-	3,471	-
Unallocated liabilities							
Total liabilities							

183,459  
75,403  
7,003  
3,471  
127,126  
396,462

**27 APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements have been approved by the Board of Directors of the Company on Rajab 03, 1439H corresponding to March 20, 2018G.