

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

**FINANCIAL STATEMENTS  
AND  
AUDITORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2015**

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

**FINANCIAL STATEMENTS AND AUDITORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

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<b>INDEX</b>	<b>PAGES</b>
Auditors' report	1
Statement of financial position	2-3
Statement of insurance operations	4
Statement of shareholders' operations	5
Statement of shareholders' comprehensive income	6
Statement of changes in shareholders' equity	7
Statement of insurance operations' cash flows	8
Statement of shareholders' cash flows	9
Notes to the financial statements	10-42

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

**Scope of audit:**

We have audited the accompanying statement of financial position of Allama Tokio Marine Company (A Saudi Joint Stock Company) (the "Company") as at 31 December 2015 and the related statements of insurance operations, shareholders' operations and comprehensive income of shareholders' operations, statement of changes in shareholders' equity and statements of cash flows of insurance operations and shareholders' operations for the year then ended and the related notes which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards and the provisions of Article 123 of the Regulations for Companies and Company's By-laws submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

**Unqualified opinion:**

In our opinion, the financial statements taken as a whole:

- i) present fairly, in all material respects, the financial position of the Company as at 31 December 2015 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and
- ii) comply with the requirements of the Regulations for Companies and the Company's By-laws in so far as they affect the preparation and presentation of the financial statements.

**Emphasis of matters:**

We draw attention to the following:

1. These financial statements have been prepared in accordance with International Financial Reporting Standards and not in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia as issued by the Saudi Organization for Certified Public Accountants.
2. Note 2 to the financial statements sets out the fact that the Board of Directors of the Company recommended to the shareholders of the Company not to pursue the transfer of insurance portfolios which were disclosed in the prospectus issued for the initial public offering by the Company. However, with active support from Tokio Marine Group, the Company has acquired another operating business. The Company is in the process of seeking the necessary approvals from the shareholders, SAMA and other regulatory authorities in the Kingdom of Saudi Arabia to complete the legal formalities.

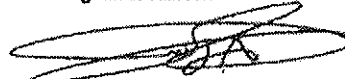
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**Abdullah M. Al Basri**  
Certified Public Accountant  
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Certified Public Accountant  
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February 16, 2016 (G)  
Jumada I 7, 1437 (H)

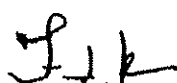
**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2015**

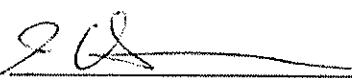
	<i>Notes</i>	<i>31 December</i> <i>2015</i> <i>SR' 000</i>	<i>31 December</i> <i>2014</i> <i>SR'000</i>
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	5	11,852	19,697
Premiums and reinsurance receivables, net	6	105,710	28,505
Reinsurers' share of outstanding claims	11	61,656	17,584
Reinsurers' share of unearned premiums	13	52,279	15,507
Deferred policy acquisition costs		3,698	1,113
Prepayments and other assets	7	2,854	1,344
Investments		10,124	-
Fixed assets	9	7,804	5,917
Unit linked investments		1,234	-
Due from shareholders' operations		721	-
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>		<b>257,932</b>	<b>89,667</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	5	153,963	37,147
Investments	8	117,725	34,210
Statutory deposit	10	45,000	20,000
Prepayments and other assets	7	358	12
Due from insurance operations		-	502
Due from a related party	19	14	55
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>317,060</b>	<b>91,926</b>
<b>TOTAL ASSETS</b>		<b>574,992</b>	<b>181,593</b>



Director



Chief Financial Officer



Chief Executive Officer

The accompanying notes 1 to 26 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 2015

	<i>Notes</i>	<u>31 December 2015</u> <i>SR' 000</i>	<u>31 December 2014</u> <i>SR' 000</i>
<b>INSURANCE OPERATIONS' LIABILITIES</b>			
Gross outstanding claims	<i>11</i>	86,618	36,089
Reinsurance balances payable		59,628	10,433
Gross unearned premiums	<i>13</i>	75,941	24,281
Unearned reinsurance commission		8,247	3,406
Due to shareholders' operations		-	502
Accrued expenses and other liabilities	<i>14</i>	24,004	13,386
Employees' end of service benefits		1,987	1,570
Unit link liabilities		1,507	-
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES</b>		<u>257,932</u>	<u>89,667</u>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>SHAREHOLDERS' LIABILITIES</b>			
Accrued expenses and other liabilities	<i>14</i>	2,344	2,016
Zakat and income tax payable	<i>18</i>	1,069	1,497
Due to insurance operations		721	-
<b>Total shareholders' liabilities</b>		<u>4,134</u>	<u>3,513</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	<i>15</i>	450,000	200,000
Accumulated losses		(137,074)	(111,587)
<b>Total shareholders' equity</b>		<u>312,926</u>	<u>88,413</u>
<b>TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<u>317,060</u>	<u>91,926</u>
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES, SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<u>574,992</u>	<u>181,593</u>

  
Director

  
Chief Financial Officer

  
Chief Executive Officer

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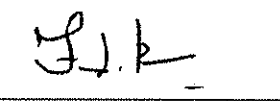
**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**STATEMENT OF INSURANCE OPERATIONS**

For the year ended 31 December 2015

	<i>Notes</i>	<i>For the year ended 31 December 2015 SR'000</i>	<i>For the year ended 31 December 2014 SR'000</i>
<b>REVENUES</b>			
Gross written premiums	12	220,357	92,585
Reinsurance premiums ceded	12	(156,074)	(55,893)
Excess of loss premiums	12	(3,199)	(4,144)
<b>Net written premiums</b>		<b>61,084</b>	<b>32,548</b>
Changes in gross unearned premiums		(51,660)	(6,215)
Changes in reinsurance share of unearned premiums		36,772	6,681
Net change in unearned premiums		(14,888)	466
<b>Net earned premiums</b>	12	<b>46,196</b>	<b>33,014</b>
Reinsurance commission earned and other income		18,904	8,156
<b>Total insurance revenues</b>		<b>65,100</b>	<b>41,170</b>
<b>CLAIMS AND EXPENSES</b>			
Gross claims paid	11	(98,979)	(44,878)
Reinsurers' share of claims paid	11	69,509	23,069
<b>Net claims paid</b>		<b>(29,470)</b>	<b>(21,809)</b>
Changes in gross outstanding claims		(50,529)	(16,951)
Changes in reinsurers' share of outstanding claims		44,072	5,626
Net outstanding claims	11	(6,457)	(11,325)
<b>Net claims incurred</b>		<b>(35,927)</b>	<b>(33,134)</b>
Change in unit link reserves		(1,507)	-
Policy acquisition costs		(5,761)	(2,843)
Inspection and supervision fees		(634)	(340)
Unrealised loss on unit linked investments		(22)	-
Investment income		124	-
Other underwriting income		1,362	-
General and administrative expenses	16	(40,821)	(32,429)
<b>Total claims and expenses, net</b>		<b>(83,186)</b>	<b>(68,746)</b>
<b>Net deficit for the year from insurance operations</b>		<b>(18,086)</b>	<b>(27,576)</b>
Appropriation of net deficit transferred to the shareholders' operations		18,086	27,576
<b>Net result for the year from insurance operations</b>	3	<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 SHAREHOLDERS' OPERATIONS**

For the year ended 31 December 2015

	<i>Notes</i>	<i>For the year ended 31 December 2015</i>	<i>For the year ended 31 December 2014</i>
		<u>SR'000</u>	<u>SR'000</u>
<b>INCOME</b>			
Investment income and other (loss) / income	17	<u>(506)</u>	<u>1,145</u>
<b>EXPENSES</b>			
Net deficit transferred from insurance operations	3	<u>(18,086)</u>	<u>(27,576)</u>
General and administrative expenses	16	<u>(3,320)</u>	<u>(2,951)</u>
Total expenses		<u>(21,406)</u>	<u>(30,527)</u>
<b>Net loss for the year</b>		<u><u>(21,912)</u></u>	<u><u>(29,382)</u></u>
<b>Basic and diluted loss per share for the year (SR)</b>	22	<u><u>(0.569)</u></u>	<u><u>Restated (0.862)</u></u>
<b>Weighted average number of outstanding shares</b>	22	<u><u>38,540</u></u>	<u><u>Restated 34,087</u></u>

  
\_\_\_\_\_  
Director

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

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

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

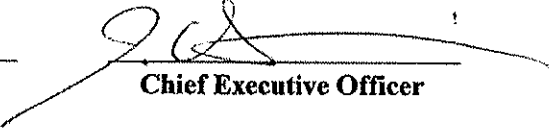
**STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME**

For the year ended 31 December 2015

	<i>Notes</i>	<i>For the year ended 31 December 2015</i>	<i>For the year ended 31 December 2014</i>
		<i>SR'000</i>	<i>SR'000</i>
Net loss for the year		(21,912)	(29,382)
<b>Other comprehensive expense</b>			
<i>Items that may not be reclassified to statement of shareholders' operations in subsequent periods</i>			
Zakat for the year	18	(712)	(980)
<b>Total comprehensive loss for the year</b>		<u>(22,624)</u>	<u>(30,362)</u>

  
 \_\_\_\_\_  
**Director**

  
 \_\_\_\_\_  
**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 CHANGES IN SHAREHOLDERS' EQUITY**

For the year ended 31 December 2015

	Share capital SR '000	Accumulated losses SR '000	Total SR '000
<b>2015</b>			
Balance as at 1 January 2015	200,000	(111,587)	88,413
Issue of additional share capital	250,000	-	250,000
Transaction cost relating to issue of additional share capital	-	(2,863)	(2,863)
- Net loss for the year ended 31 December 2015	-	(21,912)	(21,912)
- Zakat for the year	18	-	(712)
<b>Balance as at 31 December 2015</b>	<b><u>450,000</u></b>	<b><u>(137,074)</u></b>	<b><u>312,926</u></b>
<b>2014</b>			
Balance as at 1 January 2014	200,000	(81,225)	118,775
- Net loss for the year ended 31 December 2014	-	(29,382)	(29,382)
- Zakat for the year	18	-	(980)
<b>Balance as at 31 December 2014</b>	<b><u>200,000</u></b>	<b><u>(111,587)</u></b>	<b><u>88,413</u></b>

  
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Chief Financial Officer

  
Chief Executive Officer

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

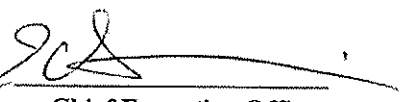
**STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS**

For the year ended 31 December 2015

	Note	31 December 2015 SR '000	31 December 2014 SR '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net result for the year from insurance operations			-
Adjustments for:			
Unrealized gain on FVTIS investments	8	(124)	-
Allowance for doubtful receivables	6	(488)	1,319
Depreciation	9	2,583	1,782
Employees' end of service benefits		980	671
Income before changes in operating assets and liabilities		<u>2,951</u>	<u>3,772</u>
<i>Changes in operating assets and liabilities:</i>			
<i>Operating assets:</i>			
Premiums and reinsurance receivables, net		(76,717)	(13,074)
Reinsurers' share of outstanding claims		(44,072)	(5,626)
Reinsurers' share of unearned premiums		(36,772)	(6,681)
Deferred policy acquisition costs		(2,585)	105
Prepayments and other assets		(1,510)	2,030
Due (from)/ to shareholders' operations		(1,223)	9,725
<i>Operating liabilities:</i>			
Gross outstanding claims		50,529	16,951
Reinsurance balances payable		49,195	(1,820)
Gross unearned premiums		51,660	6,215
Unearned reinsurance commission		4,841	1,741
Accrued expenses and other liabilities		10,618	1,401
Unit link liabilities		1,507	
Cash from operations		<u>8,422</u>	<u>14,739</u>
Employees' end of service benefits paid		(563)	(716)
<b>Net cash generated from operating activities</b>		<u><u>7,859</u></u>	<u><u>14,023</u></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Unit linked investments		(1,234)	-
Purchase of investments		(10,000)	-
Purchase of property and equipment		(4,470)	(3,250)
<b>Net cash used in investing activities</b>		<u><u>(15,704)</u></u>	<u><u>(3,250)</u></u>
<b>Net change in cash and cash equivalents</b>		(7,845)	10,773
Cash and cash equivalents at the beginning of the year		19,697	8,924
<b>Cash and cash equivalents at the end of the year</b>	5	<u><u>11,852</u></u>	<u><u>19,697</u></u>

  
Director

  
Chief Financial Officer

  
Chief Executive Officer

The accompanying notes 1 to 26 form an integral part of these financial statements.

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

**STATEMENT OF SHAREHOLDERS' CASH FLOWS**

For the year ended 31 December 2015

	Notes	31 December 2015 SR '000	31 December 2014 SR '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss for the year		(21,912)	(29,382)
Adjustment for:			
Realized gain on FVTIS investments	17	(625)	(594)
Unrealized loss / (gain) on FVTIS investments	17	1,743	(136)
Loss before changes in operating assets and liabilities		<u>(20,794)</u>	<u>(30,112)</u>
<i>Changes in operating assets and liabilities:</i>			
<i>Operating assets:</i>			
Prepayments and other assets		(346)	(12)
Due (to) / from insurance operations		1,223	(9,725)
Due from a related party		41	62
<i>Operating liabilities</i>			
Accrued expenses and other liabilities		328	(518)
Zakat paid	18	(1,140)	(1,292)
<b>Net cash used in operating activities</b>		<u>(20,688)</u>	<u>(41,597)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Statutory deposits		(25,000)	-
Purchase of investments		(433,631)	(182,097)
Proceeds from maturity of murabaha deposits		-	15,410
Proceeds from sale of investments		348,998	194,000
<b>Net cash (used in) / generated from investing activities</b>		<u>(109,633)</u>	<u>27,313</u>
<b>FINANCING ACTIVITIES</b>			
Proceeds from issue of additional share capital		250,000	-
Transaction cost on issue of additional share capital		(2,863)	-
<b>Net cash generated from financing activities</b>		<u>247,137</u>	<u>-</u>
<b>Net change in cash and cash equivalents</b>		<b>116,816</b>	<b>(14,284)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>37,147</b>	<b>51,431</b>
<b>Cash and cash equivalents at the end of the year</b>	5	<u><b>153,963</b></u>	<u><b>37,147</b></u>

  
Director

  
Chief Financial Officer

  
Chief Executive Officer

The accompanying notes 1 to 26 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 2015

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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 INSURANCE PORTFOLIOS TRANSFER AGREEMENTS**

After careful consideration, the Board of Directors of the Company recommended to the shareholders’ of the Company not to pursue the transfer of the insurance portfolios of the Arab Eastern Insurance Company (“AEIC”) and Tokio Marine & Nichido Fire Insurance Co. Limited (“TMNF”). These transfers were initially planned and disclosed in the prospectus issued for initial public offering of the Company. However, with active support from Tokio Marine Group the Company has acquired historical business contributing positively towards financial performance. In line with the recommendation of the Board of Directors, the Company is in the process of seeking necessary approvals from shareholders, Saudi Arabian Monetary Agency (“SAMA”) and other regulatory authorities in the Kingdom of Saudi Arabia to complete legal formalities.

**3 BASIS OF PREPARATION**

These financial statements have been prepared for the year ended 31 December 2015. The comparative financial information presented in these financial statements relates to the year ended 31 December 2014.

**Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board, the provisions of Regulations for Companies in the Kingdom of Saudi Arabia and the Company’s By-laws.

**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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

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**3 BASIS OF PREPARATION (continued)**

**Basis of presentation**

As required by the Saudi Arabian Insurance Regulations issued by SAMA, the Company maintains separate books of accounts for the insurance operations and shareholders' operations and presents the financial statements accordingly. The physical custody 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 books of accounts. The basis of allocation of expenses from joint operations is determined by management and the Board of Directors.

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, 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.

**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.

**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.

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:

**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.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2015

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**3 BASIS OF PREPARATION (continued)**

The provision for outstanding claims, as at 31 December, 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.

**Premium deficiency reserve**

Estimation of premium deficiency for insurance business is highly sensitive to a number of assumptions linked to future events and conditions. It is based on an expected loss ratio for the unexpired portion of the risks for written policies. To arrive at the estimate of the expected loss ratio, the actuary looks at the segment-wise actual claims experience of the Company.

**Useful lives of fixed assets**

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 value and useful lives annually and future depreciation charge shall be adjusted where the management believes the useful lives differ from previous estimates.

**New standards and amendments to existing standards**

- IAS 19 - Defined Benefit Plans requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Company, since the Company has no defined benefit plans with contributions from employees or third parties.

Annual improvements to the IFRS 2010-2012 and 2011-2013 cycles applicable for annual periods beginning on or after 1 July 2014. A summary of the amendments is contained as under:

IFRS 1 – "first time adoption of IFRS": the amendment clarifies that a first time adopter is permitted, but not required, to apply a new or revised IFRS that is not yet mandatory but is available for early adoption.

IFRS 2 - "share-based payments", amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2015

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**3 BASIS OF PREPARATION (continued)**

**New standards and amendments to existing standards (continued)**

IFRS 3 – “business combinations” amended to clarify the classification and measurement of contingent consideration in a business combination. It has been further amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in IFRS 11.

IFRS 8 – “operating segments” The amendments are applied retrospectively and clarifies that:

An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are ‘similar’;

The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IFRS 13 - "Fair value measurement" The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable)

IAS 16 – “property plant and equipment” The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 – “related party disclosures”– The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

IAS 40 – “investment property” clarifies that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition constitutes a business combination.

**Standards issued but not yet effective**

**IFRS 9 Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company’s financial assets, but no impact on the classification and measurement of the Company’s financial liabilities.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2015

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**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Cash and cash equivalents**

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

**Murabaha deposits**

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

**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;
- 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.



**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2015

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

**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 amount of loss is recognized in the statement of insurance operations. An allowance 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.

**Reinsurance**

The Company cedes insurance risk in the normal course of business for all of its businesses. 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 outstanding claims provision and are in accordance with the reinsurance contract.

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.

Premiums receivable and claims are presented on a gross basis.

**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.

**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.

**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. All differences are taken to the statements of insurance operations and accumulated losses and 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.

**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.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2015

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

**Investments**

**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.

**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.

**Fixed assets**

Fixed assets 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.

Any gain or loss on disposal of a fixed asset, (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 increase the value or materially extend the life of the related assets are capitalised.

**Employees' end of service benefits**

The Company provides end of service benefits to its employees. The entitlement to these benefits is usually based upon the employee's length of service and the completion of a minimum service period. Provision is made for amounts payable under the Saudi Arabian labour law applicable to employees' accumulated periods of service at the statement of financial position date. Charge for the year is transferred to the statement of insurance operations.

**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.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2015

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

**Insurance contracts**

Insurance contracts are defined as those containing significant insurance risk 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.

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.

**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.

**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 other comprehensive income.

**Revenue recognition**

Gross premiums and commissions are recognised as revenue 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, except for marine cargo. 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.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2015

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 other contract fees. These fees are recognized as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over future periods.

**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.

**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.

**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.

**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 2015

5	<b>CASH AND CASH EQUIVALENTS</b>	<i>31 December</i> <u>2015</u> <i>SR' 000</i>	<i>31 December</i> <u>2014</u> <i>SR'000</i>
	<i>Insurance operations</i>		
	Cash in hand	40	40
	Cash at banks – current accounts	11,812	19,657
		<u>11,852</u>	<u>19,697</u>

Cash at banks – Insurance Operations includes an amount of SR 11.81 million (2014: SR 19.65 million) held with Alinma Bank, a related party.

	<i>31 December</i> <u>2015</u> <i>SR' 000</i>	<i>31 December</i> <u>2014</u> <i>SR'000</i>
<i>Shareholders' operations</i>		
Cash at banks – current accounts	3,963	37,147
Short-term Murabaha deposits	150,000	-
	<u>153,963</u>	<u>37,147</u>

Cash at banks – Shareholders' Operations includes an amount of SR 3.95 million (2014: SR 37.15 million) held with Alinma Bank, a related party.

Short term Murabaha deposits are placed with local Banks denominated in Saudi Riyals and have original maturity of not exceeding three months yielding an average profit rate of 2.33% per

**6 PREMIUMS AND REINSURANCE RECEIVABLES, NET**

	<i>31 December</i> <u>2015</u> <i>SR' 000</i>	<i>31 December</i> <u>2014</u> <i>SR'000</i>
Premiums receivable – other customers	53,271	18,232
Premiums receivable – related party ( <i>note 19</i> )	4,456	1,538
Reinsurance receivables	49,986	11,226
	<u>107,713</u>	<u>30,996</u>
Less: Provision for doubtful receivables	<u>(2,003)</u>	<u>(2,491)</u>
	<u>105,710</u>	<u>28,505</u>

These balances comprise amounts receivable from a number of individual and corporate customers as well as insurance companies and reinsurance companies mainly operating in the Kingdom of Saudi Arabia. Arrangements with reinsurers normally require settlement within a certain 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.

ALINMA TOKIO MARINE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

6 PREMIUMS AND REINSURANCE RECEIVABLES, NET (Continued)

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

	For the year ended 31 December 2015	For the year ended 31 December 2014
	SR'000	SR'000
Balance at the beginning of the year	2,491	1,172
Provided / (reversed) during the year	(488)	1,319
Balance at the end of the year	<u>2,003</u>	<u>2,491</u>

The age analysis of 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
2015	54,395	25,101	18,617	7,728	1,872	-	<u>107,713</u>
2014	7,191	12,523	879	3,034	2,062	5,307	<u>30,996</u>

7 PREPAYMENTS AND OTHER ASSETS

*Insurance operations*

Prepayments	2,090	1,096
Other receivables	764	248
	<u>2,854</u>	<u>1,344</u>

*Shareholders' operations*

Prepayments	86	-
Accrued income	272	12
	<u>358</u>	<u>12</u>

8 INVESTMENTS

(i) Shareholders' operations

This represents investment in Najam for Insurance Services Company (classified as available for sale) and Shari'ah compliant mutual funds and discretionary portfolios (classified as investment at fair value through income statement "FVTIS");

ALINMA TOKIO MARINE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

8 INVESTMENTS (Continued)

(i) Shareholders' operations (continued)

	<i>31 December</i> <i>2015</i>	<i>31 December</i> <i>2014</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)	115,802	32,287
	<u>117,725</u>	<u>34,210</u>

The movement during the year is as follows:

	<i>31 December</i> <i>2015</i>	<i>31 December</i> <i>2014</i>
	<i>SR' 000</i>	<i>SR'000</i>
<i>Available-for-sale investment</i>		
Balance at the beginning and end of the year	<u>1,923</u>	<u>1,923</u>

	<i>31 December</i> <i>2015</i>	<i>31 December</i> <i>2014</i>
	<i>SR' 000</i>	<i>SR'000</i>
<i>Investments at fair value through income statement</i>		
Balance at the beginning of the year	32,287	43,460
Purchased during the year	433,631	182,097
Sold during the year	(348,998)	(194,000)
Realised gain during the year (note 17)	625	594
Unrealised (loss) / gain during the year (note 17)	(1,743)	136
Balance at the end of the year	<u>115,802</u>	<u>32,287</u>

(ii) 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>2015</i>	<i>31 December</i> <i>2014</i>
	<i>SR' 000</i>	<i>SR'000</i>
<i>Investments at fair value through income statement</i>		
Balance at the beginning of the year	-	-
Purchased during the year	10,000	-
Unrealised gain during the year	124	-
Balance at the end of the year	<u>10,124</u>	<u>-</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2015

**9 FIXED ASSETS**

*Insurance operations*

	31 December 2015			
	Leasehold improvements	Furniture, fittings and office equipment	Computer equipment	Total
	SR'000	SR'000	SR'000	SR'000
<b>Cost</b>				
Balance at the beginning of the year	1,847	534	7,477	9,858
Purchased during the year	930	961	2,579	4,470
Balance at the end of the year	2,777	1,495	10,056	14,328
<b>Accumulated depreciation</b>				
Balance at the beginning of the year	208	211	3,522	3,941
Charge for the year	341	286	1,956	2,583
Balance at the end of the year	549	497	5,478	6,524
<b>Net book value</b>				
31 December 2015	2,228	998	4,578	7,804

	31 December 2014			
	Leasehold improvements	Furniture, fittings and office equipment	Computer equipment	Total
	SR'000	SR'000	SR'000	SR'000
<b>Cost</b>				
Balance at the beginning of the year	514	424	5,670	6,608
Purchased during the year	1,333	110	1,807	3,250
Balance at the end of the year	1,847	534	7,477	9,858
<b>Accumulated depreciation</b>				
Balance at the beginning of the year	102	109	1,948	2,159
Charge for the year	106	102	1,574	1,782
Balance at the end of the year	208	211	3,522	3,941
<b>Net book value</b>				
31 December 2014	1,639	323	3,955	5,917

**10 STATUTORY DEPOSIT**

	31 December 2015	31 December 2014
	SR' 000	SR' 000
<i>Shareholders' operations</i>		
Statutory deposit	45,000	20,000

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

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 2015

**11 OUTSTANDING CLAIMS**

a) **Incurred claims**

<i>Insurance operations</i>	For the year ended 31 December 2015			
	Motor	General	Protection and savings	Total
	SR'000	SR'000	SR'000	SR'000
Claims paid	45,013	45,415	8,551	98,979
Reinsurers' share of claims paid	(20,673)	(41,902)	(6,934)	(69,509)
Net claims paid	24,340	3,513	1,617	29,470
Changes in outstanding claims, IBNR and other reserves	15,147	33,287	2,095	50,529
Changes in reinsurers' share of outstanding claims, IBNR and other reserves	(8,910)	(33,560)	(1,602)	(44,072)
Changes in net outstanding claims, IBNR and other reserves	6,237	(273)	493	6,457
<b>Total incurred claims</b>	<b>30,577</b>	<b>3,240</b>	<b>2,110</b>	<b>35,927</b>

<i>Insurance operations</i>	For the year ended 31 December 2014			
	Motor	General	Protection and savings	Total
	SR'000	SR'000	SR'000	SR'000
Claims paid	17,587	12,126	15,165	44,878
Reinsurers' share of claims paid	-	(10,754)	(12,315)	(23,069)
Net claims paid	17,587	1,372	2,850	21,809
Changes in outstanding claims, IBNR and other reserves	7,351	5,780	3,820	16,951
Changes in reinsurers' share of outstanding claims, IBNR and other reserves	-	(2,453)	(3,173)	(5,626)
Changes in net outstanding claims, IBNR and other reserves	7,351	3,327	647	11,325
<b>Total incurred claims</b>	<b>24,938</b>	<b>4,699</b>	<b>3,497</b>	<b>33,134</b>

General segment includes Marine, Fire, Engineering and general accident.

ALINMA TOKIO MARINE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

11 OUTSTANDING CLAIMS (continued)

b) Outstanding claims

<i>Insurance operations</i>	<i>31 December 2015</i>		
	Gross	Reinsurers share	Net
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Motor			
- Outstanding claims reserve	6,886	(2,390)	4,496
- Incurred but not reported reserve	14,963	(6,520)	8,443
- Other reserves	3,653	-	3,653
General			
- Outstanding claims reserve	34,825	(31,107)	3,718
- Incurred but not reported reserves	17,571	(14,938)	2,633
- Other reserves	397	-	397
Protection and savings			
- Outstanding claims reserve	2,024	(1,620)	404
- Incurred but not reported reserve	6,263	(5,081)	1,182
- Other reserves	36	-	36
<b>Total outstanding claims</b>	<b>86,618</b>	<b>(61,656)</b>	<b>24,962</b>

During the current year, the Company created a provision in respect of premium deficiency, amounting to SR 3.1 million (2014: SR 2.91 million) for motor and general accident lines of businesses, catastrophic reserve amounting to 0.3 million (2014: Nil) for fire and engineering lines of businesses, data deficiency reserve SR 0.04 million (2014: Nil) for motor business and claims handling reserve 0.64 million (2014: SR0.50 million) for all lines of business. The Company created these provisions based on the assumption that the unearned premiums for these business lines will not be sufficient to cover the expected claims and other attributable expenses related to the unexpired years of the policies in force at the statement of financial position date.

<i>Insurance operations</i>	<i>31 December 2014</i>		
	Gross	Reinsurers share	Net
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Motor			
- Outstanding claims reserve	3,209	-	3,209
- Incurred but not reported reserve	4,728	-	4,728
- Other reserves	2,418	-	2,418
General			
- Outstanding claims reserve	10,843	(6,464)	4,379
- Incurred but not reported reserves	7,713	(6,021)	1,692
- Other reserves	950	-	950
Protection and savings			
- Outstanding claims reserve	1,678	(1,342)	336
- Incurred but not reported reserve	4,506	(3,757)	749
- Other reserves	44	-	44
<b>Total outstanding claims</b>	<b>36,089</b>	<b>(17,584)</b>	<b>18,505</b>

ALINMA TOKIO MARINE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

12 NET EARNED PREMIUMS

	For the year ended 31 December 2015 <i>SR'000</i>	For the year ended 31 December 2014 <i>SR'000</i>
<i>Insurance operations</i>		
Gross written premiums	220,357	92,585
Gross unearned premiums at the beginning of the year	24,281	18,066
Gross unearned premiums at the end of the year	<u>(75,941)</u>	<u>(24,281)</u>
Gross earned premiums	168,697	86,370
Reinsurance premiums ceded	<u>(156,074)</u>	<u>(55,893)</u>
Excess of loss premiums	<u>(3,199)</u>	<u>(4,144)</u>
	(159,273)	(60,037)
Reinsurers' share of unearned premiums at the beginning of the year	(15,507)	(8,826)
Reinsurers' share of unearned premiums at the end of the year	<u>52,279</u>	<u>15,507</u>
	<u>(122,501)</u>	<u>(53,356)</u>
Net earned premiums	<u><u>46,196</u></u>	<u><u>33,014</u></u>

13 MOVEMENT IN UNEARNED PREMIUM RESERVE

	31 December 2015		
<i>Insurance operations</i>	Gross	Reinsurers' share	Net
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Balance at the beginning of the year	24,281	(15,507)	8,774
Premium written during the year	220,357	(159,273)	61,084
Premium earned during the year	<u>(168,697)</u>	<u>122,501</u>	<u>(46,196)</u>
Balance at the end of the year	<u><u>75,941</u></u>	<u><u>(52,279)</u></u>	<u><u>23,662</u></u>
	31 December 2014		
<i>Insurance operations</i>	Gross	Reinsurers' share	Net
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Balance at the beginning of the year	18,066	(8,826)	9,240
Premium written during the year	92,585	(60,037)	32,548
Premium earned during the year	<u>(86,370)</u>	<u>53,356</u>	<u>(33,014)</u>
Balance at the end of the year	<u><u>24,281</u></u>	<u><u>(15,507)</u></u>	<u><u>8,774</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2015

**14 ACCRUED EXPENSES AND OTHER LIABILITIES**

<i>Insurance operations</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
	<b>SR'000</b>	<b>SR'000</b>
Accrued expenses	2,914	4,342
Coinsurance commission	5,444	4,641
Brokers commission	4,524	2,194
Payable to local and regulatory authorities	2,768	770
Payable to policyholders	7,630	944
Other payables	724	495
	<u>24,004</u>	<u>13,386</u>
<i>Shareholders' operations</i>		
Accrued expenses	<u>2,344</u>	<u>2,016</u>

**15 SHARE CAPITAL**

The authorised, issued and paid-up share capital of the Company is SR 450 million as at 31 December 2015 (2014: SR 200 million) consisting of 45 million shares (2014: 20 million shares) of SR 10 each.

As a result of the rights issue being fully subscribed the share capital of the company has increased to SR 450 million comprising 45 million issued and paid up shares.

**16 GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>For the year ended 31 December 2015</b>	<b>For the year ended 31 December 2014</b>
	<b>SR'000</b>	<b>SR'000</b>
<i>Insurance operations</i>		
Employees costs	30,567	23,104
Depreciation (note 9)	2,583	1,782
Maintenance	2,800	1,776
Allowance for doubtful receivables (note 6)	(488)	1,319
Bad debts written off	104	-
Rental	1,212	1,332
Legal and professional fees	510	628
Others	3,533	2,488
	<u>40,821</u>	<u>32,429</u>
<i>Shareholders' operations</i>		
Legal and professional fees	1,679	1,478
Directors' remuneration (note 19)	1,020	1,001
Board and sub-committee attendance fee (note 19)	396	462
Others	225	10
	<u>3,320</u>	<u>2,951</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2015

**17 INVESTMENT AND OTHER INCOME, NET**

*Shareholders' operations*

	<b>For the year ended 31 December 2015</b>	<b>For the year ended 31 December 2014</b>
	<i>SR'000</i>	<i>SR'000</i>
<b>Investments at fair value through income statement</b>		
- Realized gain during the year, net	625	594
- Unrealized (loss) / gain during the year	(1,743)	136
	<u>(1,118)</u>	<u>730</u>
<b>Available for sale investments</b>		
- Dividend income	339	12
<b>Other income</b>		
- Income on Murabaha Deposit	273	403
<b>Shareholders' investment and other income</b>	<u>(506)</u>	<u>1,145</u>

**18 ZAKAT AND INCOME TAX**

**Zakat**

The Company's zakat 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 income / (loss), the zakat for the year is calculated at the rate of 2.5% of the zakat base for the year.

The difference between the accounting income and the adjusted net income / (loss) is mainly due to provisions which are not allowed in the calculation of adjustable net income.

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

	<b>For the year ended 31 December 2015</b>	<b>For the year ended 31 December 2014</b>
	<i>SR'000</i>	<i>SR'000</i>
Balance at the beginning of the year	1,497	1,809
Zakat charge for the year	712	980
Zakat payment made during the year	(1,140)	(1,292)
<b>Balance at the end of the year</b>	<u>1,069</u>	<u>1,497</u>

The Company has filed its Zakat returns with the Department of Zakat and Income Tax ("DZIT") for the period from 9 June 2012 to 31 December 2013 and for the year 2014 and has obtained limited certificates. However, final assessments have not yet been made by the DZIT.

**Income tax**

The Company has incurred a taxable loss during the year, therefore, no income tax is charged to the statement of shareholders' comprehensive income.

**19 TRANSACTIONS WITH RELATED PARTIES**

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.

19.1 In addition to the notes 5 and 6, following are the details of major related party transactions during the year and the related balances at the end of the year: