

**ALINMA TOKIO MARINE COMPANY**  
**(A Saudi Joint Stock Company)**

**INTERIM CONDENSED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' LIMITED REVIEW REPORT**

**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016**

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

**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016**

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

**SCOPE OF REVIEW:**

We have reviewed the accompanying interim statement of financial position of Alinma Tokio Marine Company (A Saudi Joint Stock Company) (the "Company") as at March 31, 2016, and the related interim statements of insurance and shareholders' operations, shareholders' comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the three months period then ended, and the related notes which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard 34 - "Interim Financial Reporting" - ("IAS 34") and submitted to us together with all the information and explanations which we required.

We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

**CONCLUSION:**

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with IAS 34.

**EMPHASIS OF MATTER:**

We draw attention to the following:

1. These interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA; and
2. Note 2 to the interim condensed 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 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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April 19, 2016 (G)  
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**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2016**

	<i>Notes</i>	<i>31 March 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	4	16,218	11,852
Premiums and reinsurance receivables, net	5	245,895	105,710
Reinsurers' share of unearned premiums		106,870	52,279
Reinsurers' share of outstanding claims	7	59,371	61,656
Deferred policy acquisition costs		8,517	3,698
Prepayments and other assets		3,500	2,854
Investments	6	-	10,124
Fixed assets		7,274	7,804
Unit link investments		1,289	1,234
Due from shareholders' operations		7,970	721
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>		<b>456,904</b>	<b>257,932</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	4	79,454	153,963
Murabaha deposit		100,316	-
Investments	6	91,712	117,725
Statutory deposit		45,000	45,000
Prepayments and other assets		764	358
Due from a related party	10	71	14
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>317,317</b>	<b>317,060</b>
<b>TOTAL ASSETS</b>		<b>774,221</b>	<b>574,992</b>



**Director**



**Chief Financial Officer**



**Chief Executive Officer**

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

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

**INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2016**

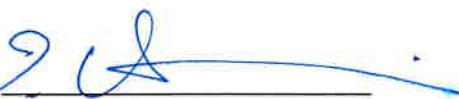
	<i>Notes</i>	<i>31 March 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
<b>INSURANCE OPERATIONS' LIABILITIES</b>			
Gross outstanding claims	7	91,290	86,618
Reinsurance balances payable		141,196	59,628
Gross unearned premiums		171,378	75,941
Unearned reinsurance commission		7,710	8,247
Accrued expenses and other liabilities		41,565	24,004
Employees' end of service benefits		2,117	1,987
Unit link liabilities		1,648	1,507
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES</b>		<b>456,904</b>	<b>257,932</b>
 <b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>SHAREHOLDERS' LIABILITIES</b>			
Accrued expenses and other liabilities		2,780	2,344
Zakat and income tax payable	8	1,069	1,069
Due to insurance operations		7,970	721
<b>Total shareholders' liabilities</b>		<b>11,819</b>	<b>4,134</b>
 <b>SHAREHOLDERS' EQUITY</b>			
Share capital	9	450,000	450,000
Accumulated losses		(144,502)	(137,074)
<b>Total shareholders' equity</b>		<b>305,498</b>	<b>312,926</b>
 <b>TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY</b>		 <b>317,317</b>	 <b>317,060</b>
 <b>TOTAL INSURANCE OPERATIONS' LIABILITIES, SHAREHOLDERS' LIABILITIES AND EQUITY</b>		 <b>774,221</b>	 <b>574,992</b>



Director



Chief Financial Officer



Chief Executive Officer

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

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

**INTERIM STATEMENT OF INSURANCE OPERATIONS**

For the three month period ended 31 March 2016

	<i>Notes</i>	<i>Three months period ended 31 March 2016 (Unaudited) SR'000</i>	<i>Three months period ended 31 March 2015 (Unaudited) SR'000</i>
<b>REVENUES</b>			
Gross written premiums		163,885	65,453
Reinsurance premiums ceded		(98,471)	(50,299)
Excess of loss premiums		(783)	(817)
<b>Net written premiums</b>		<b>64,631</b>	<b>14,337</b>
Changes in gross unearned premiums		(95,437)	(28,776)
Changes in reinsurance share of unearned premiums		54,591	23,149
Net change in unearned premiums		(40,846)	(5,627)
<b>Net earned premiums</b>		<b>23,785</b>	<b>8,710</b>
Reinsurance commission earned and other income		5,918	4,210
<b>Total insurance revenues</b>		<b>29,703</b>	<b>12,920</b>
<b>CLAIMS AND EXPENSES</b>			
Gross claims paid	7	(42,766)	(10,664)
Reinsurers' share of gross claims paid	7	30,910	5,182
<b>Net claims paid</b>	7	<b>(11,856)</b>	<b>(5,482)</b>
Changes in gross outstanding claims		(4,672)	(16,968)
Changes in reinsurers' share of outstanding claims		(2,285)	16,437
<b>Net outstanding claims</b>		<b>(6,957)</b>	<b>(531)</b>
<b>Net claims incurred</b>		<b>(18,813)</b>	<b>(6,013)</b>
Change in unit link reserves		(141)	-
Surrender charges		(1)	-
Policy acquisition costs		(3,693)	(634)
Inspection and supervision fees		(480)	(146)
Investment income		2	-
Other underwriting income		601	-
General and administrative expenses		(13,675)	(9,541)
<b>Total claims and expenses, net</b>		<b>(36,200)</b>	<b>(16,334)</b>
<b>Net deficit for the period from insurance operations</b>		<b>(6,497)</b>	<b>(3,414)</b>
Appropriation of net deficit transferred to shareholders' operations	3	6,497	3,414
<b>Net result for the period from insurance 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)

**INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS**

For the three month period ended 31 March 2016

	<i>Notes</i>	<i>Three months period ended 31 March 2016 (Unaudited) SR'000</i>	<i>Three months period ended 31 March 2015 (Unaudited) SR'000</i>
<b>INCOME</b>			
Investment and other income		<u>54</u>	<u>151</u>
<b>EXPENSES</b>			
Net deficit transferred from insurance operations	3	<u>(6,497)</u>	<u>(3,414)</u>
General and administrative expenses		<u>(985)</u>	<u>(1,250)</u>
<b>Total expenses</b>		<u>(7,482)</u>	<u>(4,664)</u>
<b>Net loss for the period</b>		<u><u>(7,428)</u></u>	<u><u>(4,513)</u></u>
<b>Basic and diluted loss per share for the period (SR)</b>	<i>11</i>	<u><u>(0.165)</u></u>	<u><u>(0.132)</u></u>
<b>Number of outstanding shares</b>		<u><u>45,000</u></u>	<u><u>34,087</u></u>

  
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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)

**INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME**

For the three month period ended 31 March 2016

	<i>Notes</i>	<i>Three months</i>	<i>Three months</i>
		<i>period ended 31</i>	<i>period ended 31</i>
		<i>March 2016</i>	<i>March 2015</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
		<i>SR'000</i>	<i>SR'000</i>
Net loss for the period		(7,428)	(4,513)
<b>Other comprehensive expense</b>			
<i>Items that may not be reclassified to statement of shareholders' operations in subsequent periods:</i>			
Zakat for the period	8	-	-
<b>Total comprehensive loss for the period</b>		<b>(7,428)</b>	<b>(4,513)</b>

  
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 Director

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

**INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

For the three month period ended 31 March 2016

	Share capital	Accumulated losses	Total
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<b>2016</b>			
Balance as at 1 January 2016 (audited)	450,000	(137,074)	312,926
Net loss for the period	-	(7,428)	(7,428)
Zakat for the period	-	-	-
<b>Balance as at 31 March 2016 (unaudited)</b>	<b>450,000</b>	<b>(144,502)</b>	<b>305,498</b>
<b>2015</b>			
Balance as at 1 January 2015 (audited)	200,000	(111,587)	88,413
Net loss for the period		(4,513)	(4,513)
Zakat for the period		-	-
<b>Balance as at 31 March 2015 (unaudited)</b>	<b>200,000</b>	<b>(116,100)</b>	<b>83,900</b>



Director



Chief Financial Officer



Chief Executive Officer

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

For the three month period ended 31 March 2016

	<i>Note</i>	<i>Three months period ended 31 March 2016 (Unaudited) SR'000</i>	<i>Three months period ended 31 March 2015 (Unaudited) SR'000</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net result for the period from insurance operations			-
Adjustments for:			
Realized gain on FVTIS investments	6	(46)	-
Allowance for doubtful receivables		1,770	221
Depreciation		696	527
Employees' end of service benefits, net		245	269
Income before changes in operating assets and liabilities		2,665	1,017
<i>Changes in operating assets and liabilities:</i>			
<i>Operating assets:</i>			
Premiums and reinsurance receivables, net		(141,955)	(44,720)
Reinsurers' share of outstanding claims		2,285	(16,437)
Reinsurers' share of unearned premiums		(54,591)	(23,149)
Deferred policy acquisition costs		(4,819)	(190)
Due (from)/ to shareholders' operations		(7,249)	(4,880)
Prepayments and other assets		(646)	(753)
<i>Operating liabilities:</i>			
Gross outstanding claims		4,672	16,968
Reinsurance balances payable		81,568	36,184
Gross unearned premiums		95,437	28,776
Unearned reinsurance commission		(537)	1,926
Accrued expenses and other liabilities		17,561	4,997
Unit link liabilities		141	-
Cash from operations		(5,468)	(261)
Employees' end of service benefits paid		(115)	(270)
<b>Net cash used in operating activities</b>		(5,583)	(531)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Unit linked investments		(55)	-
Purchase of investments		(10,000)	-
Proceeds from the sale of investments		20,170	
Purchase of property and equipment		(166)	(2,182)
<b>Net cash generated from / (used in) investing activities</b>		9,949	(2,182)
<b>Net change in cash and cash equivalents</b>		4,366	(2,713)
Cash and cash equivalents at the beginning of the period		11,852	19,697
<b>Cash and cash equivalents at the end of the period</b>	4	16,218	16,984

  
Director

  
Chief Financial Officer

  
Chief Executive Officer

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**ALINMA TOKIO MARINE COMPANY**  
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**INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS**

For the three month period ended 31 March 2016

	<i>Notes</i>	<i>Three months period ended 31 March 2016</i>	<i>Three months period ended 31 March 2015</i>
		<i>Unaudited SR'000</i>	<i>Unaudited SR'000</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss for the period		(7,428)	(4,513)
Adjustments for:			
Realized gain on FVTIS	6	(13)	(64)
Unrealized loss / (gain) on FVTIS	6	<u>1,026</u>	<u>(87)</u>
Loss before changes in operating assets and liabilities		<u>(6,415)</u>	<u>(4,664)</u>
<i>Changes in operating assets and liabilities:</i>			
<i>Operating assets:</i>			
Due from related parties		(57)	(85)
Due from insurance operations		7,249	4,880
Prepayments and other assets		(406)	(261)
<i>Operating liabilities:</i>			
Accrued expenses and other liabilities		<u>436</u>	<u>131</u>
<b>Net cash generated from operating activities</b>		<u><u>807</u></u>	<u><u>1</u></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Murabaha deposit	6	(100,316)	(35,000)
Purchase of investments		(10,000)	-
Proceeds from sale of investments	6	<u>35,000</u>	<u>30,000</u>
<b>Net cash used in investing activities</b>		<u><u>(75,316)</u></u>	<u><u>(5,000)</u></u>
<b>Net change in cash and cash equivalents</b>		<b>(74,509)</b>	<b>(4,999)</b>
Cash and cash equivalents at the beginning of the period		<b>153,963</b>	<b>37,147</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>4</b>	<u><u><b>79,454</b></u></u>	<u><u><b>32,148</b></u></u>

  
\_\_\_\_\_  
Director

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

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

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

For the three month period ended 31 March 2016

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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 2012G). The Commercial Registration number of the Company is 1010342527, dated 28 Rajab 1433H (corresponding to 18 June 2012G). 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 2009G), pursuant to the Council of Ministers’ Resolution No. 140 dated 2 Jumada-Al Thani 1430H (corresponding to 26 June 2009G).

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 the 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 interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting (“IAS 34”). Accordingly, these interim condensed financial statements are not intended to be a presentation in conformity with generally accepted accounting principles in the Kingdom of Saudi Arabia i.e. in accordance with the standard of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants.

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.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

For the three month period ended 31 March 2016

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**3 BASIS OF PREPARATION (continued)**

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.

The accounting policies adopted by the Company for the preparation of these interim condensed financial statements are in accordance with International Financial Reporting Standards ("IFRS").

The preparation of interim condensed financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the interim condensed financial statements, and the reported amounts of revenues and expenses during the interim reported period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. In the opinion of management, the interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim periods presented.

These interim condensed financial statements for the three month period ended 31 March 2016 do not include all the information and disclosures required for a complete set of financial statements prepared in accordance with IFRS. These interim condensed financial statements should be read in conjunction with the annual financial statements as at and for the year ended 31 December 2015.

Certain comparative amounts have been rearranged / reclassified to conform to the current period's presentation. The Company presents its interim statements of financial position broadly in order of liquidity. All financial assets and liabilities are expected to be recovered and settled respectively within twelve months after the interim reporting date.

The interim condensed financial statements are expressed in Saudi Arabian Riyals, being the functional and presentation currency of the Company and have been rounded off to the nearest thousand, unless otherwise specified. The Company's interim results may not be indicative of its annual results.

The accounting and risk management policies adopted in the preparation of these condensed interim financial statements are consistent with the Company's audited financial statements for the year ended 31 December 2015, except for the adoption of the following relevant amendments to existing standards mentioned below which had no significant financial impact on the interim condensed financial statements of the Company:

**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:

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

For the three month period ended 31 March 2016

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**3 BASIS OF PREPARATION (continued)**

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’.

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.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

For the three month period ended 31 March 2016

**4 CASH AND CASH EQUIVALENTS**

	<i>31 March 2016 (Unaudited) SR' 000</i>	<i>31 December 2015 (Audited) SR'000</i>
<b><i>Insurance operations</i></b>		
Cash in hand	45	40
Cash at banks – current accounts	16,173	11,812
	<u>16,218</u>	<u>11,852</u>

Cash at banks – Insurance Operations includes an amount of SR 16.17 million (2015: SR 11.81 million) held with Alinma Bank, a related party.

***Shareholders' operations***

Cash at banks – current accounts	4,454	3,963
Short-term Murabaha deposits	75,000	150,000
	<u>79,454</u>	<u>153,963</u>

Cash at banks – Shareholders' Operations includes an amount of SR 4.14 million (2015: SR 3.95 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 2.77% (2015: 2.33%) per annum.

**5 PREMIUMS AND REINSURANCE RECEIVABLES, NET**

	<i>31 March 2016 (Unaudited) SR' 000</i>	<i>31 December 2015 (Audited) SR'000</i>
Premiums receivable – other customers	168,084	53,271
Premiums receivable – related party (note 10)	1,875	4,456
Reinsurance receivables	79,605	49,986
	<u>249,564</u>	<u>107,713</u>
Less: provision for doubtful receivables	<u>(3,669)</u>	<u>(2,003)</u>
	<u>245,895</u>	<u>105,710</u>

**6 INVESTMENTS**

**(i) Shareholders' Operations**

This represents investment in Najam 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 March 2016 (Unaudited) SR' 000</i>	<i>31 December 2015 (Audited) SR'000</i>
<b>Investments</b>		
Available for sale investment	1,923	1,923
Investments at fair value through income statement (FVTIS)	79,789	115,802
Investments held to maturity	10,000	-
	<u>91,712</u>	<u>117,725</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the three month period ended 31 March 2016

**6 INVESTMENTS (continued)**

The movement during the period is as follows:

	<i>31 March 2016 (Unaudited) SR' 000</i>	<i>31 December 2015 (Audited) SR'000</i>
<i>Available for sale investment</i>		
Balance at the beginning and end of the period	<u>1,923</u>	<u>1,923</u>
	<i>31 March 2016 (Unaudited) SR' 000</i>	<i>31 December 2015 (Audited) SR'000</i>
<i>Investments at fair value through income statement</i>		
Balance at the beginning of the period	115,802	32,287
Purchased during the period	-	433,631
Sold during the period	(35,000)	(348,998)
Realised gain during the period	13	625
Unrealised gain / (loss) during the period	(1,026)	(1,743)
Balance at the end of the period	<u>79,789</u>	<u>115,802</u>
	<i>31 March 2016 (Unaudited) SR' 000</i>	<i>31 December 2015 (Audited) SR'000</i>
<i>Investments held to maturity</i>		
Balance at the beginning of the period	-	-
Purchased during the period	10,000	-
Sold during the period	-	-
Balance at the end of the period	<u>10,000</u>	<u>-</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 March 2016 (Unaudited) SR' 000</i>	<i>31 December 2015 (Audited) SR'000</i>
<i>Investments at fair value through income statement</i>		
Balance at the beginning of the period	10,124	-
Purchased during the period	10,000	10,000
Unrealised gain during the period	-	124
Realised gain during the period	46	-
Sold during the period	(20,170)	-
Balance at the end of the period	<u>-</u>	<u>10,124</u>

**(iii) DETERMINATION OF FAIR VALUE AND FAIR VALUE HIERARCHY**

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.



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For the three month period ended 31 March 2016

**6 INVESTMENTS (continued)**

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).

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

**Shareholders' Operations**

<b>As at 31 March 2016 (Unaudited)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>SR'000</b>	<b>SR'000</b>	<b>SR'000</b>	<b>SR'000</b>
<b>Available for sale investments*</b>				
- Investment in unquoted equity	-	-	1,923	1,923
<b>Fair value through income statements</b>				
- Investment in multi assets mutual funds, equity shares, discretionary portfolios and real estate fund	79,789	-	-	79,789
<b>Investments held to maturity</b>				
- Sukuk	10,000	-	-	10,000
<b>Total</b>	<b>89,789</b>	<b>-</b>	<b>1,923</b>	<b>91,712</b>
<b>As at 31 December 2015 (Audited)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>SR'000</b>	<b>SR'000</b>	<b>SR'000</b>	<b>SR'000</b>
<b>Fair value through income statements</b>				
- Investment in multi assets mutual funds, equity shares and discretionary portfolios	115,802	-	-	115,802
<b>Available for sale investments*</b>				
- Investment in unquoted equity	-	-	1,923	1,923
<b>Total</b>	<b>115,802</b>	<b>-</b>	<b>1,923</b>	<b>117,725</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.

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

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7	<b>CLAIMS</b>	<b>Gross SR'000</b>	<b>Reinsurers' share SR'000</b>	<b>Net SR'000</b>
	<b>As at 31 March 2016 (Unaudited)</b>			
	Claims reported	41,254	(27,375)	13,879
	IBNR and other reserves	50,036	(31,996)	18,040
		<u>91,290</u>	<u>(59,371)</u>	<u>31,919</u>
	Claims paid during the three months period ended 31 March 2016	42,766	(30,910)	11,856
	<b>As at 31 December 2015 (Audited)</b>			
	Claims reported	43,734	(35,117)	8,617
	IBNR and other reserves	42,884	(26,539)	16,345
		<u>86,618</u>	<u>(61,656)</u>	<u>24,962</u>
	<b>Claims incurred during the three-month period ended 31 March 2016</b>	<u>47,438</u>	<u>(28,625)</u>	<u>18,813</u>
	<b>As at 31 March 2015 (Unaudited)</b>			
	Claims reported	22,114	(15,833)	6,281
	IBNR and other reserves	30,943	(18,188)	12,755
		<u>53,057</u>	<u>(34,021)</u>	<u>19,036</u>
	Claims paid during the three months period ended 31 March 2015	10,664	(5,182)	5,482
	<b>As at 31 December 2014 (Audited)</b>			
	Claims reported	15,730	(7,806)	7,924
	IBNR and other reserves	20,359	(9,778)	10,581
		<u>36,089</u>	<u>(17,584)</u>	<u>18,505</u>
	<b>Claims incurred during the three-month period ended 31 March 2015</b>	<u>27,632</u>	<u>(21,619)</u>	<u>6,013</u>

The Company has maintained a provision in respect of premium deficiency amounting to SR 3.1 million (2015: 3.1 million), for Motor businesses. The Company created this provision based on the assumption that the unearned premiums for motor business will not be sufficient to provide for the expected claims and other attributable expenses related to the unexpired periods of the policies in force at the statement of financial position date.

**8 ZAKAT AND INCOME TAX**

**Zakat**

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

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

	<b>31 March 2016 (Unaudited)</b>	<b>31 December 2015 (Audited)</b>
	<b>SR' 000</b>	<b>SR'000</b>
Balance at the beginning of the period	1,069	1,497
Zakat charge for the period	-	712
Zakat payment made during the period	-	(1,140)
<b>Balance at the end of the period</b>	<u>1,069</u>	<u>1,069</u>