

ALINMA TOKIO MARINE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED FINANCIAL STATEMENTS AND AUDITORS' REVIEW REPORT

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED FINANCIAL STATEMENTS AND AUDITORS' REVIEW
REPORT**
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015

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KPMG Al Fozan & Al Sadhan



**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 31 March 2015, the related interim statements of insurance operations, shareholders’ operations, shareholders’ comprehensive income, changes in shareholders’ equity, insurance operations’ cash flows and shareholders’ cash flows for the three- month period ended 31 March 2015, and the related notes from 1 to 14 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 review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (“SOCPA”). A 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 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 initial public offering by the Company. 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. However, with active support from Tokio Marine Group, the Company has acquired another operating business.

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27 Jumada II 1436H
16 April 2015

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)


INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2015

	<i>Notes</i>	31 March 2015 <i>(Unaudited)</i>	31 December 2014 <i>(Audited)</i>
		<i>SR' 000</i>	<i>SR'000</i>
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	4	16,984	19,697
Premiums and reinsurance receivables, net	5	73,004	28,505
Reinsurers' share of outstanding claims	7	34,021	17,584
Reinsurers' share of unearned premiums		38,656	15,507
Deferred policy acquisition costs		1,303	1,113
Due from shareholders' operations		4,378	-
Prepayments and other assets		2,097	1,344
Fixed assets		7,572	5,917
TOTAL INSURANCE OPERATIONS' ASSETS		178,015	89,667
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	4	32,148	37,147
Investments	6	39,361	34,210
Due from a related party	10	140	55
Due from insurance operations		-	502
Prepayments and other assets		273	12
Statutory deposit		20,000	20,000
TOTAL SHAREHOLDERS' ASSETS		91,922	91,926
TOTAL ASSETS		269,937	181,593

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 (continued)
AS AT 31 MARCH 2015

	<i>Notes</i>	31 March 2015 (Unaudited) SR' 000	31 December 2014 (Audited) SR'000
INSURANCE OPERATIONS' LIABILITIES			
Gross outstanding claims	7	53,057	36,089
Reinsurance balances payable		46,617	10,433
Gross unearned premiums		53,057	24,281
Unearned reinsurance commission		5,332	3,406
Due to shareholders' operations		-	502
Accrued expenses and other liabilities		18,383	13,386
Employees' end of service benefits		1,569	1,570
TOTAL INSURANCE OPERATIONS' LIABILITIES		178,015	89,667
 SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Accrued expenses and other liabilities		2,147	2,016
Due to insurance operations		4,378	-
Zakat and income tax payable	8	1,497	1,497
Total shareholders' liabilities		8,022	3,513
 SHAREHOLDERS' EQUITY			
Share capital	9	200,000	200,000
Accumulated losses		(116,100)	(111,587)
Total shareholders' equity		83,900	88,413
 TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		 91,922	 91,926
TOTAL INSURANCE OPERATIONS' LIABILITIES, SHAREHOLDERS' LIABILITIES AND EQUITY		269,937	181,593



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 2015

	<i>Notes</i>	<i>Three months period ended 31 March 2015 (Unaudited) SR '000</i>	<i>Three months period ended 31 March 2014 (Unaudited) SR '000</i>
REVENUES			
Gross written premiums		65,453	21,284
Reinsurance premiums ceded		(50,299)	(8,180)
Excess of loss premiums		(817)	(1,696)
Net written premiums		14,337	11,408
Changes in gross unearned premiums		(28,776)	(2,270)
Changes in reinsurance share of unearned premiums		23,149	(2,559)
Net change in unearned premiums		(5,627)	(4,829)
Net earned premiums		8,710	6,579
Reinsurance commission earned and other income		4,210	1,449
Total insurance revenues		12,920	8,028
CLAIMS AND EXPENSES			
Gross claims paid	7	(10,664)	(8,086)
Reinsurers' share of claims paid	7	5,182	5,384
Net claims paid	7	(5,482)	(2,702)
Changes in gross outstanding claims		(16,968)	(6,047)
Changes in reinsurers' share of outstanding claims		16,437	2,819
Net outstanding claims		(531)	(3,228)
Net claims incurred	7	(6,013)	(5,930)
Policy acquisition costs		(634)	(611)
Inspection and supervision fees		(146)	(99)
General and administrative expenses		(9,541)	(7,450)
Total claims and expenses		(16,334)	(14,090)
Net deficit for the period from insurance operations		(3,414)	(6,062)
Appropriation of net deficit transferred to the shareholders' operations	3	3,414	6,062
Net result for the period from insurance operations		-	-



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 2015

	<i>Notes</i>	<i>Three months period ended 31 March 2015 (Unaudited) SR '000</i>	<i>Three months period ended 31 March 2014 (Unaudited) SR '000</i>
INCOME			
Investment and other income		<u>151</u>	<u>349</u>
EXPENSES			
Net deficit transferred from insurance operations	3	<u>(3,414)</u>	<u>(6,062)</u>
General and administrative expenses		<u>(1,250)</u>	<u>(774)</u>
Total expenses		<u>(4,664)</u>	<u>(6,836)</u>
Net loss for the period		<u>(4,513)</u>	<u>(6,487)</u>
Loss per share (SR)	11	<u>(0.23)</u>	<u>(0.32)</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)

INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
For the three-month period ended 31 March 2015

	<i>Three months period ended 31 March 2015 (Unaudited) SR '000</i>	<i>Three months period ended 31 March 2014 (Unaudited) SR '000</i>
Net loss for the period	(4,513)	(6,487)
Other comprehensive expense		
<i>Items that may not be reclassified to statement of shareholders' operations in subsequent periods :</i>		
Zakat for the period	8	-
Total comprehensive loss for the period	<u>(4,513)</u>	<u>(6,487)</u>



Director



Chief Financial Officer



Chief Executive Officer

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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 2015


	<u>Share capital</u> <i>SR '000</i>	<u>Accumulated losses</u> <i>SR '000</i>	<u>Total</u> <i>SR '000</i>
2015			
Balance as at 1 January 2015 (audited)	200,000	(111,587)	88,413
Total comprehensive loss for the period			
- Net loss for the period	-	(4,513)	(4,513)
Balance as at 31 March 2015 (unaudited)	<u>200,000</u>	<u>(116,100)</u>	<u>83,900</u>
2014			
Balance as at 1 January 2014 (audited)	200,000	(81,225)	118,775
Total comprehensive loss for the period			
- Net loss for the period	-	(6,487)	(6,487)
Balance as at 31 March 2014 (unaudited)	<u>200,000</u>	<u>(87,712)</u>	<u>112,288</u>



Director



Chief Financial Officer



Chief Executive Officer

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ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the three-month period ended 31 March 2015

	<i>Three months period ended 31 March 2015 (Unaudited) SR '000</i>	<i>Three months period ended 31 March 2014 (Unaudited) SR '000</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net result for the period from insurance operations	-	-
Adjustments for:		
Allowance for doubtful receivables	221	388
Depreciation	527	438
Employees' end of service benefits, net	(1)	(177)
Income before changes in operating assets and liabilities	<u>747</u>	<u>649</u>
<i>Changes in operating assets and liabilities:</i>		
<i>Operating assets:</i>		
Premiums and reinsurance receivables, net	(44,720)	(8,372)
Reinsurers' share of outstanding claims	(16,437)	(2,819)
Reinsurers' share of unearned premiums	(23,149)	2,559
Deferred policy acquisition cost	(190)	(255)
Due from shareholders' operations	(4,880)	10,024
Prepayments and other assets	(753)	754
<i>Operating liabilities:</i>		
Gross outstanding claims	16,968	6,047
Reinsurance balances payable	36,184	(4,927)
Gross unearned premiums	28,776	2,270
Unearned reinsurance commission	1,926	(167)
Accrued expenses and other liabilities	4,997	2,046
Net cash generated (used in) / from operating activities	<u>(531)</u>	<u>7,809</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(2,182)</u>	<u>(675)</u>
Net cash used in investing activities	<u>(2,182)</u>	<u>(675)</u>
Net change in cash and cash equivalents	(2,713)	7,134
Cash and cash equivalents at the beginning of the period	19,697	8,924
Cash and cash equivalents at the end of the period	<u>16,984</u>	<u>16,058</u>

Director

Chief Financial Officer

Chief Executive Officer


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ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the three-month period ended 31 March 2015

	<i>Notes</i>	Three months period ended 31 March 2015 (Unaudited) SR '000	Three months period ended 31 March 2014 (Unaudited) SR '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the period		(4,513)	(6,487)
Adjustment for:			
Realized gain on trading investments	6	(64)	(228)
Unrealized gain on trading investments	6	(87)	(16)
Loss before changes in operating assets and liabilities		(4,664)	(6,731)
<i>Changes in operating assets and liabilities:</i>			
<i>Operating assets:</i>			
Due from / to related parties		(85)	(32)
Due to insurance operations		4,880	(10,024)
Prepayments and other assets		(261)	(270)
<i>Operating liabilities:</i>			
Accrued expenses and other liabilities		131	57
Net cash generated from / (used in) operating activities		1	(17,000)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	6	(35,000)	(50,000)
Proceeds from sale of investments		30,000	67,000
Net cash (used in) / generated from investing activities		(5,000)	17,000
Net change in cash and cash equivalents		(4,999)	-
Cash and cash equivalents at the beginning of the period		37,147	51,431
Cash and cash equivalents at the end of the period	4	32,148	51,431


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 2015

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 the 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 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. 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. However, with active support from Tokio Marine Group the Company has acquired another operating business contributing positively towards the Company’s financial performance.

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

For the three-month period ended 31 March 2015

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 accounting standards generally accepted in the Kingdom of Saudi Arabia i.e. in accordance with 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.

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 2015 do not include all the information and disclosures required for a complete set of financial statements prepared in accordance with the International Financial Reporting Standards. These interim condensed financial statements should be read in conjunction with the annual financial statements as at and for the year ended 31 December 2014.

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.

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

For the three-month period ended 31 March 2015

3. BASIS OF PREPARATION (continued)

The interim condensed financial statements are expressed in Saudi Arabian Riyals, being the functional 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 2014, 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

- Amendments to IAS 19 applicable for annual periods beginning on or after 1 July 2014 is applicable to defined benefit plans involving contribution from employees and / or third parties. This provides relief, based on meeting certain criteria's, from the requirements proposed in the amendments of 2011 for attributing employee / third party contributions to periods of service under the plan benefit formula or on a straight line basis. The current amendment gives an option, if conditions satisfy, to reduce service cost in period in which the related service is rendered.

- Annual improvements to IFRS 2010-2012 and 2011-2013 cycle 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 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” has been amended to explicitly require disclosure of judgments made by management in applying aggregation criteria.

IFRS 13 has been amended to clarify measurement of interest free short term receivables and payables at their invoiced amount without discounting, if the effect of discounting is immaterial. It has been further amended to clarify that the portfolio exception potentially applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

For the three-month period ended 31 March 2015

3. BASIS OF PREPARATION (continued)

New standards and amendments to existing standards

IAS 16 – “Property plant and equipment” and IAS 38 – “intangible assets”: – the amendments clarify the requirements of revaluation model recognizing that the restatement of accumulated depreciation (amortisation) is not always proportionate to the change in the gross carrying amount of the asset.

IAS 24 – “related party disclosures”– the definition of a related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or indirectly.

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.

Standard issued but not yet effective

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB’s work though the adoption date is subject to the recently issued Exposure Draft on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015.

However, on 19 November 2013, the IASB issued IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9) amending IFRS 9 to include the new general hedge accounting model. In its February 2014 meeting, the IASB tentatively decided that IFRS 9 would be mandatorily effective for years ending on or after 31 December 2018.

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

For the three-month period ended 31 March 2015

4. CASH AND CASH EQUIVALENTS

	<i>31 March 2015 (Unaudited) SR '000</i>	<i>31 December 2014 (Audited) SR '000</i>
<i>Insurance operations</i>		
Cash in hand	40	40
Cash at banks – current accounts	<u>16,944</u>	<u>19,657</u>
	<u>16,984</u>	<u>19,697</u>

Cash at banks – insurance operations include an amount of SR 16.93 million (2014: 19.64 million) held with Alinma Bank, a related party.

Shareholders' operations

Cash at banks – current accounts	<u>32,148</u>	<u>37,147</u>
	<u>32,148</u>	<u>37,147</u>

Cash at banks – shareholders' operations include an amount of SR 2.15 million (2014: 37.15 million) held with Alinma Bank, a related party.

5. PREMIUMS AND REINSURANCE RECEIVABLES, NET

	<i>31 March 2015 (Unaudited) SR '000</i>	<i>31 December 2014 (Audited) SR '000</i>
Premiums receivable – other customers	63,118	18,232
Premiums receivable – related party (note 10)	1,410	1,538
Reinsurance receivables	<u>11,188</u>	<u>11,226</u>
	75,716	30,996
Less: provision for doubtful receivables	<u>(2,712)</u>	<u>(2,491)</u>
	<u>73,004</u>	<u>28,505</u>

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

For the three-month period ended 31 March 2015

6. INVESTMENTS

(i) **Shareholders' Operations**

This represents investment in Najm for Insurance Services Company (classified as available for sale) and in open end commodity funds and equity shares (classified as trading investments):

	<i>31 March 2015 (Unaudited) SR '000</i>	<i>31 December 2014 (Audited) SR '000</i>
Investments		
Available for sale investment	1,923	1,923
Trading investments	37,438	32,287
	<u>39,361</u>	<u>34,210</u>

The movement during the period / year is as follows:

	<i>31 March 2015 (Unaudited) SR '000</i>	<i>31 December 2014 (Audited) SR '000</i>
Available for sale investment		
Balance at the beginning and end of the period / year	<u>1,923</u>	<u>1,923</u>

	<i>31 March 2015 (Unaudited) SR '000</i>	<i>31 December 2014 (Audited) SR '000</i>
Held for trading investments		
Balance at the beginning of the period / year	32,287	43,460
Purchased during the period / year	35,000	182,097
Sold during the period / year	(29,936)	(193,406)
Unrealised gain during the period / year	87	136
Balance at the end of the period / year	<u>37,438</u>	<u>32,287</u>

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

For the three-month period ended 31 March 2015

6. INVESTMENTS (continued)

(ii) **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.

The third level of investment is recorded at cost as its fair value cannot be measured reliably.

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

<u>As at 31 March 2015 (Unaudited)</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	SR'000	SR'000	SR'000	SR'000
Held for trading investment				
- Investment in equity shares	99	-	-	99
- Investment in commodity fund.	-	37,339	-	37,339
Total	<u>99</u>	<u>37,339</u>	<u>-</u>	<u>37,438</u>
<u>As at 31 December 2014 (Audited)</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	SR'000	SR'000	SR'000	SR'000
Held for trading investment				
- Investment in equity shares	99	-	-	99
- Investment in commodity fund.	-	32,188	-	32,188
Total	<u>99</u>	<u>32,188</u>	<u>-</u>	<u>32,287</u>

The unlisted available for sale security amounting to SR 1.923 million is stated at cost in the absence of active markets or other means of reliably measuring their fair value.

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

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

For the three-month period ended 31 March 2015

7. CLAIMS

	<u>Gross</u> <i>SR'000</i>	<u>Reinsurers'</u> <u>share</u> <i>SR'000</i>	<u>Net</u> <i>SR'000</i>
As at 31 March 2015 (Unaudited)			
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-month period ended 31 March 2015	10,664	(5,182)	5,482
As at 31 December 2014 (Audited)			
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>
Claims incurred during the three-month period ended 31 March 2015	<u>27,632</u>	<u>(21,619)</u>	<u>6,013</u>
	<u>Gross</u> <i>SR'000</i>	<u>Reinsurers'</u> <u>share</u> <i>SR'000</i>	<u>Net</u> <i>SR'000</i>
As at 31 March 2014 (Unaudited)			
Claims reported	11,583	(7,857)	3,726
IBNR and other reserves	13,602	(6,920)	6,682
	<u>25,185</u>	<u>(14,777)</u>	<u>10,408</u>
Claims paid during the three-month period ended 31 March 2014	8,086	(5,384)	2,702
As at 31 December 2013 (Audited)			
Claims reported	9,592	(8,298)	1,294
IBNR and other reserves	9,546	(3,660)	5,886
	<u>19,138</u>	<u>(11,958)</u>	<u>7,180</u>
Claims incurred during the three-month period ended 31 March 2014	<u>14,133</u>	<u>(8,203)</u>	<u>5,930</u>

The Company has maintained a provision in respect of premium deficiency amounting to SR 2.91 million (2014: 2.91) million, for Motor, Marine and General accident lines of businesses. The Company created this provision based on the assumption that the unearned premiums for these business lines 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.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(continued)

For the three-month period ended 31 March 2015

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 / year is as follows:

	<i>31 March 2015</i> <i>(Unaudited)</i>	<i>31 December 2014</i> <i>(Audited)</i>
	<i>SR' 000</i>	<i>SR'000</i>
Balance at the beginning of the period / year	1,497	1,809
Zakat charge for the period / year	-	980
Zakat payment made during the period / year	-	(1,292)
Balance at the end of the period / year	1,497	1,497

The Company has filed its first Zakat return with the Department of Zakat and Income Tax ("DZIT") for the period from 9 June 2012 to 31 December 2013 and has obtained a limited certificate, however, a final assessment has not been made by the DZIT.

Income tax

The Company has incurred net loss during the period and therefore no income tax is due or charged to the unaudited interim statement of shareholder's comprehensive income.

9. SHARE CAPITAL

- 9.1 The authorised, issued and paid-up share capital of the Company is SR 200 million as at 31 March 2015 (2014: SR 200 million) consisting of 20 million shares (2014: 20 million shares) of SR 10 each.
- 9.2 The Board of directors recommended an increase in the Company's share capital through offering a rights issue with a total value of SR 250 million. During the quarter ended 31 March 2015, the Company obtained SAMA's approval. However, the rights issue is subject to the approval of shareholders and other regulatory authorities.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(continued)

For the three-month period ended 31 March 2015

10. RELATED PARTY TRANSACTIONS AND BALANCES

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.

10.1 In addition to the note 4, following are the details of major related party transactions during the period and the related balances at the end of the period:

Nature of Transaction	Related party	Three-month period ended 31 March 2015	Three-month period ended 31 March 2014	Balance as of 31 March 2015	Balance as of 31 December 2014
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
		SR'000	SR'000	SR'000	SR'000
		Transactions		Balances	
Insurance premiums	Shareholder	4,777	5,245	1,410	1,538
Reinsurance premiums	Shareholder	2,314	890	3,564	1,970
Claims paid	Shareholder	3,877	3,551	-	-
Reinsurance Commission	Shareholder	374	20	-	-
General and administration expenses	Shareholders	-	-	-	-
	Associate	85	36	140	55
Murabaha Deposits	Shareholder	-	50,000	-	-

10.2 Information relating to key management personnel

	Three-month period ended 31 March 2015	Three-month period ended 31 March 2014
	(Unaudited)	(Unaudited)
	SR '000	SR '000
Short-term benefits	1,069	1,469
Long-term benefits	41	38

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

For the three-month period ended 31 March 2015

10. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

10.3 Board and sub-committee related expenses:

	<i>Three-month period ended 31 March 2015 (Unaudited) SR '000</i>	<i>Three-month period ended 31 March 2014 (Unaudited) SR '000</i>
Board of director's remuneration	<u>255</u>	<u>255</u>
Board and sub-committees attendance fee	<u>151</u>	<u>136</u>

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

11. LOSS PER SHARE

Loss per share for the period has been calculated by dividing the net loss for the period by the weighted average number of ordinary shares issued and outstanding at the unaudited interim statement of financial position date (20 million shares). Diluted loss per share is not applicable for the Company for the period ended 31 March 2015.

12. CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 March 2015 and 31 March 2014, the Company had no contingent liabilities and commitments.

13. SEGMENT REPORTING

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

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

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

Segment liabilities do not include reinsurance balance payable, accrued expenses and other liabilities and employees' end of service benefits.