

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

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

**FOR THE THREE MONTHS AND SIX MONTHS PERIOD ENDED 30 JUNE 2015**

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

**FOR THE THREE MONTHS AND SIX MONTHS PERIOD ENDED 30 JUNE 2015**

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<b>INDEX</b>	<b>PAGES</b>
Independent Auditors' Limited Review Report	1
Interim Statement of Financial Position	2 – 3
Interim Statement of Insurance Operations	4
Interim Statement of Shareholders' Operations	5
Interim Statement of Shareholders' Comprehensive Income	6
Interim Statement of Changes in Shareholders' Equity	7
Interim Statement of Insurance Operations' Cash flows	8
Interim Statement of Shareholders' Cash flows	9
Notes to the Interim Condensed Financial Statements	10 – 23



**Aldar Audit Bureau**

Abdullah AlBasri & Co.



**Dr. Mohamed Al-Amri & Co.**

Accountants & Consultants

**Independent Auditors' review report on interim condensed financial statements 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 30 June 2015, and the related interim statements of insurance operations, shareholders' operations and shareholders' comprehensive income for the three month and six month periods then ended, the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the six month period ended 30 June 2015 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 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 the 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**

1. We draw attention to the fact that 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.
2. Note 2 to the interim condensed financial statements sets out the fact 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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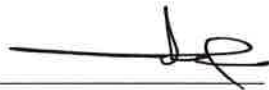


July 09, 2015 (G)  
Ramadan 22, 1436 (H)

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

**INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 2015**

	<i>Notes</i>	<b>30 June 2015</b> <i>(Unaudited)</i>	<i>31 December 2014</i> <i>(Audited)</i>
		<b>SR' 000</b>	<b>SR'000</b>
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	4	19,363	19,697
Due from shareholders' operations		2,303	-
Premiums and reinsurance receivables, net	5	94,744	28,505
Reinsurers' share of unearned premiums		48,907	15,507
Reinsurers' share of outstanding claims		45,179	17,584
Deferred policy acquisition costs		2,117	1,113
Prepayments and other assets		2,638	1,344
Investments	6	5,026	-
Fixed Assets		7,421	5,917
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>		<b>227,698</b>	<b>89,667</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	4	10,157	37,147
Investments	6	47,861	34,210
Statutory deposit		20,000	20,000
Prepayments and other assets		206	12
Due from insurance operations		-	502
Due from a related party	10	392	55
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>78,616</b>	<b>91,926</b>
<b>TOTAL ASSETS</b>		<b>306,314</b>	<b>181,593</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 (continued)  
AS AT 30 JUNE 2015

	<i>Notes</i>	<b>30 June 2015</b> <i>(Unaudited)</i> <b>SR' 000</b>	<b>31 December 2014</b> <i>(Audited)</i> <b>SR'000</b>
<b>INSURANCE OPERATIONS' LIABILITIES</b>			
Gross outstanding claims	7	64,859	36,089
Reinsurance balances payable		62,201	10,433
Gross unearned premiums		71,727	24,281
Unearned reinsurance commission		7,856	3,406
Due to shareholders' operations		-	502
Accrued expenses and other liabilities		19,473	13,386
Employees' end of service benefits		1,582	1,570
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES</b>		<b>227,698</b>	<b>89,667</b>
 <b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>SHAREHOLDERS' LIABILITIES</b>			
Accrued expenses and other liabilities		1,192	2,016
Due to insurance operations		2,303	-
Zakat and income tax payable	8	357	1,497
<b>Total shareholders' liabilities</b>		<b>3,852</b>	<b>3,513</b>
 <b>SHAREHOLDERS' EQUITY</b>			
Share capital	9	200,000	200,000
Accumulated losses		(125,236)	(111,587)
<b>Total shareholders' equity</b>		<b>74,764</b>	<b>88,413</b>
 <b>TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY</b>		 <b>78,616</b>	 <b>91,926</b>
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES</b>			
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>306,314</b>	<b>181,593</b>

  
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**

For the three months and six months period ended 30 June 2015

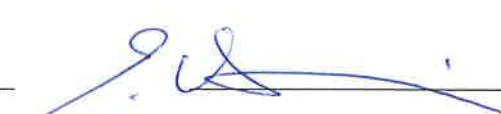
<i>Notes</i>	<i>Three months period ended 30 June 2015 (unaudited) SR'000</i>	<i>Three months period ended 30 June 2014 (unaudited) SR'000</i>	<i>Six months period ended 30 June 2015 (unaudited) SR'000</i>	<i>Six months period ended 30 June 2014 (unaudited) SR'000</i>
<b>REVENUES</b>				
Gross written premiums	57,017	35,361	122,470	56,645
Reinsurance premiums ceded	(37,853)	(25,066)	(88,152)	(33,246)
Excess of loss premiums	(816)	(665)	(1,633)	(2,361)
<b>Net written premiums</b>	<b>18,348</b>	<b>9,630</b>	<b>32,685</b>	<b>21,038</b>
Changes in gross unearned premiums	(18,669)	(13,214)	(47,445)	(15,484)
Changes in reinsurance share of unearned premiums	10,251	13,013	33,400	10,454
Net change in unearned premiums	(8,418)	(201)	(14,045)	(5,030)
<b>Net earned premiums</b>	<b>9,930</b>	<b>9,429</b>	<b>18,640</b>	<b>16,008</b>
Reinsurance commission earned and other income	4,472	1,555	8,682	3,004
<b>Total insurance revenues</b>	<b>14,402</b>	<b>10,984</b>	<b>27,322</b>	<b>19,012</b>
<b>CLAIMS AND EXPENSES</b>				
Gross claims paid	7 (13,691)	(8,475)	(24,355)	(16,561)
Reinsurers' share of gross claims paid	7 6,322	1,454	11,504	6,838
<b>Net claims paid</b>	<b>7 (7,369)</b>	<b>(7,021)</b>	<b>(12,851)</b>	<b>(9,723)</b>
Changes in gross outstanding claims	(11,802)	(12,828)	(28,770)	(18,875)
Changes in reinsurers' share of outstanding claims	11,158	10,135	27,595	12,954
<b>Net outstanding claims</b>	<b>(644)</b>	<b>(2,693)</b>	<b>(1,175)</b>	<b>(5,921)</b>
<b>Net claims incurred</b>	<b>(8,013)</b>	<b>(9,714)</b>	<b>(14,026)</b>	<b>(15,644)</b>
Policy acquisition costs	(1,088)	(822)	(1,722)	(1,433)
Inspection and supervision fees	(201)	(117)	(347)	(216)
Investment income	26	-	26	-
General and administrative expenses	(14,434)	(9,912)	(23,975)	(17,362)
<b>Total claims and expenses, net</b>	<b>(23,710)</b>	<b>(20,565)</b>	<b>(40,044)</b>	<b>(34,655)</b>
<b>Net deficit for the period from insurance operations</b>	<b>(9,308)</b>	<b>(9,581)</b>	<b>(12,722)</b>	<b>(15,643)</b>
Appropriation of net deficit transferred to shareholders' operations	3 9,308	9,581	12,722	15,643
<b>Net result for the period from insurance operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</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 SHAREHOLDERS' OPERATIONS**

For the three months and six months period ended 30 June 2015

	<i>Notes</i>	<i>Three months period ended 30 June 2015 (Unaudited) SR '000</i>	<i>Three months period ended 30 June 2014 (Unaudited) SR '000</i>	<i>Six months period ended 30 June 2015 (Unaudited) SR '000</i>	<i>Six months period ended 30 June 2014 (Unaudited) SR '000</i>
<b>INCOME</b>					
Investment and other income		1,205	299	1,356	648
<b>EXPENSES</b>					
Net deficit transferred from insurance operations	3	(9,308)	(9,581)	(12,722)	(15,643)
General and administrative expenses		(1,033)	(759)	(2,283)	(1,533)
<b>Total expenses</b>		<b>(10,341)</b>	<b>(10,340)</b>	<b>(15,005)</b>	<b>(17,176)</b>
<b>Net loss for the period</b>		<b>(9,136)</b>	<b>(10,041)</b>	<b>(13,649)</b>	<b>(16,528)</b>
<b>Loss per share (SR)</b>	11	<b>(0.457)</b>	<b>(0.502)</b>	<b>(0.682)</b>	<b>(0.826)</b>

  
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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 months and six months period ended 30 June 2015

	<i>Three months period ended 30 June 2015</i>	<i>Three months period ended 30 June 2014</i>	<i>Six months period ended 30 June 2015</i>	<i>Six months period ended 30 June 2014</i>
<i>Note</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
Net loss for the period	(9,136)	(10,041)	(13,649)	(16,528)
<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	-	(250)	-
<b>Total comprehensive loss for the period</b>	<b>(9,136)</b>	<b>(10,291)</b>	<b>(13,649)</b>	<b>(16,778)</b>

  
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**ALINMA TOKIO MARINE COMPANY**  
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**INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
For the three months and six months period ended 30 June 2015

	<u>Share capital</u> <i>SR '000</i>	<u>Accumulated losses</u> <i>SR '000</i>	<u>Total</u> <i>SR '000</i>
<b>2015</b>			
Balance as at 1 January 2015 (audited)	200,000	(111,587)	88,413
Net loss for the period	-	(13,649)	(13,649)
<b>Balance as at 30 June 2015 (unaudited)</b>	<u>200,000</u>	<u>(125,236)</u>	<u>74,764</u>
<b>2014</b>			
Balance as at 1 January 2014 (audited)	200,000	(81,225)	118,775
Net loss for the period	-	(16,528)	(16,528)
Zakat for the period	-	(250)	(250)
Balance as at 30 June 2014 (unaudited)	<u>200,000</u>	<u>(98,003)</u>	<u>101,997</u>

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

**INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS**

For the six months period ended 30 June 2015

	<i>Note</i>	<i>Six months period ended 30 June 2015 (Unaudited) SR '000</i>	<i>Six months period ended 30 June 2014 (audited) SR '000</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net result for the period from insurance operations		-	-
Adjustments for:			
Unrealized gain on trading investments		(26)	-
Allowance for doubtful receivables		4,935	2,309
Depreciation		1,126	874
Employees' end of service benefits, net		12	(109)
Income before changes in operating assets and liabilities		<u>6,047</u>	<u>3,074</u>
<i>Changes in operating assets and liabilities:</i>			
<i>Operating assets:</i>			
Premiums and reinsurance receivables, net		(71,174)	(28,072)
Reinsurers' share of outstanding claims		(27,595)	(12,955)
Reinsurers' share of unearned premiums		(33,400)	(10,454)
Deferred policy acquisition cost		(1,004)	43
Due to / (from) shareholders' operations		(2,805)	7,415
Prepayments and other assets		(1,294)	1,939
<i>Operating liabilities:</i>			
Gross outstanding claims		28,770	18,876
Reinsurance balances payable		51,768	6,626
Gross unearned premiums		47,446	15,484
Unearned reinsurance commission		4,450	2,040
Accrued expenses and other liabilities		6,087	1,108
<b>Net cash generated from operating activities</b>		<u>7,296</u>	<u>5,124</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments		(5,000)	-
Purchase of property and equipment		(2,630)	(990)
<b>Net cash used in investing activities</b>		<u>(7,630)</u>	<u>(990)</u>
<b>Net change in cash and cash equivalents</b>		(334)	4,134
Cash and cash equivalents at the beginning of the period		19,697	8,924
<b>Cash and cash equivalents at the end of the period</b>	4	<u>19,363</u>	<u>13,058</u>

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

**INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS**

For the six months period ended 30 June 2015

	<i>Notes</i>	<i>Six months period ended 30 June 2015 (Unaudited) SR '000</i>	<i>Six months period ended 30 June 2014 (Unaudited) SR '000</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss for the period		(13,649)	(16,528)
Adjustments for:			
Realized gain on trading investments		(466)	(86)
Unrealized gain on trading investments	6	(134)	(349)
Unrealized gain on Fair Value through Income Statement investments	6	(413)	-
Loss before changes in operating assets and liabilities		<u>(14,662)</u>	<u>(16,963)</u>
<i>Changes in operating assets and liabilities:</i>			
<i>Operating assets:</i>			
Due from / to related parties		(337)	74
Due (from) / to insurance operations		2,805	(7,415)
Prepayments and other assets		(194)	(319)
<i>Operating liabilities:</i>			
Accrued expenses and other liabilities		(824)	(1,081)
Zakat paid		(1,140)	(1,292)
<b>Net cash used in operating activities</b>		<u>(14,352)</u>	<u>(26,996)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments	6	(80,632)	(100,000)
Proceeds from sale of investments		67,994	107,000
<b>Net cash (used in) / generated from investing activities</b>		<u>(12,638)</u>	<u>7,000</u>
<b>Net change in cash and cash equivalents</b>		(26,990)	(19,996)
Cash and cash equivalents at the beginning of the period		37,147	51,431
<b>Cash and cash equivalents at the end of the period</b>	4	<u>10,157</u>	<u>31,435</u>

  
\_\_\_\_\_  
Director

  
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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 months and six months period ended 30 June 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 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.

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

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

**(continued)**

For the three months and six month period ended 30 June 2015

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**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.

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-months and six months periods ended 30 June 2015 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 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 months and six month period ended 30 June 2015

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**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 are applicable to defined benefit plans involving contribution from employees and / or third parties. This provides relief, based on meeting certain criteria, 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 are satisfied, to reduce the service cost in the period in which the related service is rendered.

- 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 - 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 months and six month period ended 30 June 2015

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**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 the 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.

*Standards issued but not yet effective*

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the International Accounting Standards Board’s (IASB) 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 months and six month period ended 30 June 2015

**4. CASH AND CASH EQUIVALENTS**

	<i>30 June 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>19,323</u>	<u>19,657</u>
	<u>19,363</u>	<u>19,697</u>

Cash at banks – Insurance Operations include an amount of SR 19.32 million (2014: 19.65 million) held with Alinma Bank, a related party.

*Shareholders' operations*

Cash at banks – current accounts	<u>10,157</u>	<u>37,147</u>
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Cash at banks – Shareholders' operations include an amount of SR 10.15 million (2014: 37.15 million) held with Alinma Bank, a related party.

**5. PREMIUMS AND REINSURANCE RECEIVABLES, NET**

	<i>30 June 2015 (Unaudited) SR '000</i>	<i>31 December 2014 (Audited) SR '000</i>
Premiums receivable – other customers	84,813	18,232
Premiums receivable – related party (note 10)	3,519	1,538
Reinsurance receivables	<u>13,838</u>	<u>11,226</u>
	102,170	30,996
Less: provision for doubtful receivables	<u>(7,426)</u>	<u>(2,491)</u>
	<u>94,744</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 months and six month period ended 30 June 2015

**6. INVESTMENTS**

(i) **Shareholders' Operations**

This represents investment in Najam for Insurance Services Company (classified as available for sale), Equity shares (classified as trading investments) and Shari'ah Compliant mutual funds and Discretionary Portfolios (classified as investment at fair value through income statement):

	<i>30 June 2015 (Unaudited) SR'000</i>	<i>31 December 2014 (Audited) SR'000</i>
<b>Investments</b>		
Available for sale investment	1,923	1,923
Held for trading investments	525	32,287
Investments at fair value through income statement	45,413	-
	<u>47,861</u>	<u>34,210</u>

The movement during the period / year is as follows:

	<i>30 June 2015 (Unaudited) SR '000</i>	<i>31 December 2014 (Audited) SR '000</i>
<b>Available for sale investment</b>		
Balance at the beginning and end of the period / year	<u>1,923</u>	<u>1,923</u>

	<i>30 June 2015 (Unaudited) SR'000</i>	<i>31 December 2014 (Audited) SR'000</i>
<b>Held for trading investments</b>		
Balance at the beginning of the period / year	32,287	43,460
Purchased during the period / year	35,632	165,097
Sold during the period / year	(67,994)	(177,000)
Realised gain during the period / year, net	466	389
Unrealised gain during the period / year	134	341
Balance at the end of the period / year	<u>525</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 months and six month period ended 30 June 2015

**6. INVESTMENTS (continued)**

	<i>30 June</i> <i>2015</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2014</i> <i>(Audited)</i>
	<u>SR'000</u>	<u>SR'000</u>
<i>Fair value through income statement investments</i>		
Balance at the beginning of the period	-	-
Purchased during the period	45,000	-
Unrealised gain during the period	413	-
Balance at the end of the period	<u>45,413</u>	<u>-</u>

(ii) *Insurance Operations*

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

	<i>30 June</i> <i>2015</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2014</i> <i>(Audited)</i>
	<u>SR'000</u>	<u>SR'000</u>
<b>Investments</b>		
Held for trading investments	<u>5,026</u>	<u>-</u>

The movement in held for trading investments during the period is as follows:

	<i>30 June</i> <i>2015</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2014</i> <i>(Audited)</i>
	<u>SR'000</u>	<u>SR'000</u>
<i>Held for trading investments</i>		
Balance at the beginning of the period	-	-
Purchased during the period	5,000	-
Unrealised gain during the period	26	-
Balance at the end of the period	<u>5,026</u>	<u>-</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

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

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

For the three months and six month period ended 30 June 2015

**6. INVESTMENTS (continued)**

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 30 June 2015 (Unaudited)</u>	<u>Level 1</u> <u>SR'000</u>	<u>Level 2</u> <u>SR'000</u>	<u>Level 3</u> <u>SR'000</u>	<u>Total</u> <u>SR'000</u>
<b>Held for trading investment</b>				
- Investment in equity shares	525	-	-	525
<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 and Discretionary Portfolios	45,413	-	-	45,413
<b>Total</b>	<b>45,938</b>	<b>1,923</b>	<b>-</b>	<b>47,861</b>
<u>As at 31 December 2014 (Audited)</u>	<u>Level 1</u> <u>SR'000</u>	<u>Level 2</u> <u>SR'000</u>	<u>Level 3</u> <u>SR'000</u>	<u>Total</u> <u>SR'000</u>
<b>Held for trading investment</b>				
- Investment in equity shares	99	-	-	99
- Investment in commodity fund	-	32,188	-	32,188
<b>Available for sale investments*</b>				
- Investments in Unquoted equity	-	1,923	-	1,923
<b>Total</b>	<b>99</b>	<b>34,111</b>	<b>-</b>	<b>34,210</b>

\*As the fair values of the above available for sale investments are not readily available, these investments are carried at cost and reviewed by the management for impairment.

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

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

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

For the three months and six month period ended 30 June 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>
<b>As at 30 June 2015 (Unaudited)</b>			
Claims reported	24,859	(17,902)	6,957
IBNR and other reserves	40,000	(27,277)	12,723
	<u>64,859</u>	<u>(45,179)</u>	<u>19,680</u>
Claims paid during the six months ended 30 June 2015	24,355	(11,504)	12,851
<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>
Claims incurred during the six months ended 30 June 2015	<u>53,125</u>	<u>(39,099)</u>	<u>14,026</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>
<b>As at 30 June 2014 (Unaudited)</b>			
Claims reported	20,772	(15,718)	5,054
IBNR and other reserves	17,242	(9,195)	8,047
	<u>38,014</u>	<u>(24,913)</u>	<u>13,101</u>
Claims paid during the six months ended 30 June 2014	16,561	(6,838)	9,723
<b>As at 31 December 2013 (Audited)</b>			
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 six months ended 30 June 2014	<u>35,437</u>	<u>(19,793)</u>	<u>15,644</u>

The Company has maintained a provision in respect of premium deficiency amounting to SR 2.92 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.

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

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

For the three months and six month period ended 30 June 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>30 June 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	<b>(1,140)</b>	(1,292)
<b>Balance at the end of the period / year</b>	<b>357</b>	1,497

The Company has filed its first 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 net loss during the period and therefore no income tax is due or charged to the unaudited interim statement of Shareholders' comprehensive income.

**9. SHARE CAPITAL**

9.1 The authorised, issued and paid-up share capital of the Company is SR 200 million as at 30 June 2015 (2014: SR 200 million) consisting of 20 million shares (2014: 20 million shares) of SR 10 each.

9.2 The accumulated losses of the company amounted to SR 125.24 million as at June 30, 2015 (31 December 2014: SR 111.59 million). The Company's ability to continue as a going concern is dependent upon future profitable operations and continued financial support from shareholders in order to enable it to cover its losses and settle its liabilities.

The above mentioned conditions indicate the existence of uncertainties that may cast significant doubt about the company's ability to continue as a going concern. However, whilst approving these interim condensed financial statements, the Board of Directors continue to believe that the going concern basis of preparation of the interim condensed financial statements is appropriate.

Accordingly, these interim condensed financial statements have been prepared on the assumptions that the company will continue in business as a going concern, and do not include any adjustments that might result from the outcome of uncertainties from above mentioned conditions.