

ALINMA TOKIO MARINE COMPANY
(A Saudi Joint Stock Company)

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

FOR THE THREE MONTHS AND YEAR ENDED 31 DECEMBER 2015

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FOR THE THREE MONTHS AND YEAR ENDED 31 DECEMBER 2015

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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 31 December 2015, and the related interim statements of insurance and shareholders' operations, shareholders' comprehensive income for the three months and year then ended and the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the year 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 generally accepted auditing standards, 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.
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. The Company is in the process of seeking the necessary approvals from the shareholders, SAMA and other regulatory authorities in the Kingdom of Saudi Arabia to complete the legal formalities. However, with active support from Tokio Marine Group, the Company has acquired another operating business.

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January 14, 2016 (G)
Rabia' II 4, 1437 (H)

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	<i>Notes</i>	<i>31 December 2015 (Unaudited) SR'000</i>	<i>31 December 2014 (Audited) SR'000</i>
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	4	11,852	19,697
Premiums and reinsurance receivables, net	5	105,710	28,505
Reinsurers' share of unearned premiums		52,279	15,507
Reinsurers' share of outstanding claims	7	61,656	17,584
Deferred policy acquisition costs		3,698	1,113
Prepayments and other assets		2,854	1,344
Investments	6	10,124	-
Fixed assets		7,804	5,917
Unit link investments		1,234	-
Due from shareholders' operations		721	-
TOTAL INSURANCE OPERATIONS' ASSETS		257,932	89,667
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	4	153,963	37,147
Investments	6	117,725	34,210
Statutory deposit		45,000	20,000
Prepayments and other assets		358	12
Due from insurance operations		-	502
Due from a related party	10	14	55
TOTAL SHAREHOLDERS' ASSETS		317,060	91,926
TOTAL ASSETS		574,992	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
AS AT 31 DECEMBER 2015

	<i>Notes</i>	<i>31 December 2015 (Unaudited) SR'000</i>	<i>31 December 2014 (Audited) SR'000</i>
INSURANCE OPERATIONS' LIABILITIES			
Gross outstanding claims	7	86,618	36,089
Reinsurance balances payable		59,628	10,433
Gross unearned premiums		75,941	24,281
Unearned reinsurance commission		8,247	3,406
Due to shareholders' operations		-	502
Accrued expenses and other liabilities		24,004	13,386
Employees' end of service benefits		1,987	1,570
Unit link liabilities		1,507	-
TOTAL INSURANCE OPERATIONS' LIABILITIES		<u>257,932</u>	<u>89,667</u>
 SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Accrued expenses and other liabilities		2,344	2,016
Zakat and income tax payable	8	1,069	1,497
Due to insurance operations		721	-
Total shareholders' liabilities		<u>4,134</u>	<u>3,513</u>
 SHAREHOLDERS' EQUITY			
Share capital	9	450,000	200,000
Accumulated losses		(137,074)	(111,587)
Total shareholders' equity		<u>312,926</u>	<u>88,413</u>
 TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		 <u>317,060</u>	 <u>91,926</u>
 TOTAL INSURANCE OPERATIONS' LIABILITIES, SHAREHOLDERS' LIABILITIES AND EQUITY		 <u>574,992</u>	 <u>181,593</u>


Director


Chief Financial Officer


Chief Executive Officer

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ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INSURANCE OPERATIONS

For the three months and year ended 31 December 2015

	<i>Three months period ended 31 December 2015</i>	<i>Three months period ended 31 December 2014</i>	<i>Year ended 31 December 2015</i>	<i>Year ended 31 December 2014</i>
<i>Notes</i>	<i>(Unaudited) SR'000</i>	<i>(Unaudited) SR'000</i>	<i>(Unaudited) SR'000</i>	<i>(Audited) SR'000</i>
REVENUES				
Gross written premiums	57,455	17,037	220,357	92,585
Reinsurance premiums ceded	(41,381)	(11,029)	(156,074)	(55,893)
Excess of loss premiums	(783)	(817)	(3,199)	(4,144)
Net written premiums	15,291	5,191	61,084	32,548
Changes in gross unearned premiums	(8,273)	5,888	(51,660)	(6,215)
Changes in reinsurance share of unearned premiums	7,270	(2,487)	36,772	6,681
Net change in unearned premiums	(1,003)	3,401	(14,888)	466
Net earned premiums	14,288	8,592	46,196	33,014
Reinsurance commission earned and other income	5,387	2,360	18,904	8,156
Total insurance revenues	19,675	10,952	65,100	41,170
CLAIMS AND EXPENSES				
Gross claims paid	7 (55,011)	(18,922)	(98,979)	(44,878)
Reinsurers' share of gross claims paid	7 45,468	12,091	69,509	23,069
Net claims paid	7 (9,543)	(6,831)	(29,470)	(21,809)
Changes in gross outstanding claims	(3,233)	12,846	(50,529)	(16,951)
Changes in reinsurers' share of outstanding claims	384	(16,106)	44,072	5,626
Net outstanding claims	(2,849)	(3,260)	(6,457)	(11,325)
Net claims incurred	(12,392)	(10,091)	(35,927)	(33,134)
Change in unit link reserves	(1,502)	-	(1,507)	-
Policy acquisition costs	(2,134)	(770)	(5,761)	(2,843)
Inspection and supervision fees	(139)	(56)	(634)	(340)
Investment income	29	-	102	-
Other underwriting income	1,362	-	1,362	-
General and administrative expenses	(5,638)	(11,069)	(40,821)	(32,429)
Total claims and expenses, net	(20,414)	(21,986)	(83,186)	(68,746)
Net deficit for the period from insurance operations	(739)	(11,034)	(18,086)	(27,576)
Appropriation of net deficit transferred to shareholders' operations	3 739	11,034	18,086	27,576
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 months and year ended 31 December 2015

	<i>Notes</i>	<i>Three months period ended 31 December 2015</i>	<i>Three months period ended 31 December 2014</i>	<i>Year ended 31 December 2015</i>	<i>Year ended 31 December 2014</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
		<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
INCOME					
Investment and other (loss) / income		<u>(287)</u>	<u>241</u>	<u>(506)</u>	<u>1,145</u>
EXPENSES					
Net deficit transferred from insurance operations	3	<u>(739)</u>	<u>(11,034)</u>	<u>(18,086)</u>	<u>(27,576)</u>
General and administrative expenses		<u>(1,005)</u>	<u>(785)</u>	<u>(3,320)</u>	<u>(2,951)</u>
Total expenses		<u>(1,744)</u>	<u>(11,819)</u>	<u>(21,406)</u>	<u>(30,527)</u>
Net loss for the period		<u><u>(2,031)</u></u>	<u><u>(11,578)</u></u>	<u><u>(21,912)</u></u>	<u><u>(29,382)</u></u>
Basic and diluted loss per share for the period - restated (SR)	11	<u><u>(0.045)</u></u>	<u><u>(0.340)</u></u>	<u><u>(0.569)</u></u>	<u><u>(0.862)</u></u>
Weighted average number of outstanding shares - restated	11	<u><u>45,000</u></u>	<u><u>34,087</u></u>	<u><u>38,540</u></u>	<u><u>34,087</u></u>



Director



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ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME

For the three months and year ended 31 December 2015

	<i>Three months period ended 31 December 2015</i>	<i>Three months period ended 31 December 2014</i>	<i>Year ended 31 December 2015</i>	<i>Year ended 31 December 2014</i>
<i>Notes</i>	<i>(Unaudited) SR'000</i>	<i>(Unaudited) SR'000</i>	<i>(Unaudited) SR'000</i>	<i>(Audited) SR'000</i>
Net loss for the period / year	(2,031)	(11,578)	(21,912)	(29,382)
Other comprehensive expense				
<i>Items that may not be reclassified to statement of shareholders' operations in subsequent periods:</i>				
Zakat for the period / year	8 -	(1,680)	(712)	(980)
Total comprehensive loss for the period / year	(2,031)	(13,258)	(22,624)	(30,362)



Director



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ALINMA TOKIO MARINE COMPANY
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INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2015

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



Director



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

For the year ended 31 December 2015

	<u>Note</u>	<u>31 December 2015</u>	<u>31 December 2014</u>
		<i>Unaudited</i>	<i>Audited</i>
		<i>SR'000</i>	<i>SR'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net result for the period from insurance operations			-
Adjustments for:			
Unrealized gain on FVTIS investments		(124)	-
Allowance for doubtful receivables		(488)	1,319
Depreciation		2,583	1,782
Employees' end of service benefits, net		417	(45)
Income before changes in operating assets and liabilities		<u>2,388</u>	<u>3,056</u>
<i>Changes in operating assets and liabilities:</i>			
<i>Operating assets:</i>			
Premiums and reinsurance receivables, net		(76,717)	(13,074)
Reinsurers' share of outstanding claims		(44,072)	(5,626)
Reinsurers' share of unearned premiums		(36,772)	(6,681)
Deferred policy acquisition costs		(2,585)	105
Due (from)/ to shareholders' operations		(1,223)	9,725
Prepayments and other assets		(1,510)	2,030
<i>Operating liabilities:</i>			
Gross outstanding claims		50,529	16,951
Reinsurance balances payable		49,195	(1,820)
Gross unearned premiums		51,660	6,215
Unearned reinsurance commission		4,841	1,741
Accrued expenses and other liabilities		10,618	1,401
Unit link liabilities		1,507	-
Net cash generated from operating activities		<u>7,859</u>	<u>14,023</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Unit linked investments		(1,234)	-
Purchase of investments		(10,000)	-
Purchase of property and equipment		(4,470)	(3,250)
Net cash used in investing activities		<u>(15,704)</u>	<u>(3,250)</u>
Net change in cash and cash equivalents		(7,845)	10,773
Cash and cash equivalents at the beginning of the year		19,697	8,924
Cash and cash equivalents at the end of the year	4	<u>11,852</u>	<u>19,697</u>


Director


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ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the year ended 31 December 2015

	<i>Notes</i>	<i>31 December 2015</i>	<i>31 December 2014</i>
		<i>Unaudited</i>	<i>Audited</i>
		<i>SR'000</i>	<i>SR'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the period		(21,912)	(29,382)
Adjustments for:			
Realized gain on FVTIS	6	(625)	(594)
Unrealized loss / (gain) on FVTIS	6	<u>1,743</u>	<u>(136)</u>
Loss before changes in operating assets and liabilities		(20,794)	(30,112)
<i>Changes in operating assets and liabilities:</i>			
<i>Operating assets:</i>			
Due from related parties		41	62
Due from insurance operations		1,223	(9,725)
Prepayments and other assets		(346)	(12)
<i>Operating liabilities:</i>			
Accrued expenses and other liabilities		328	(518)
Zakat paid		<u>(1,140)</u>	<u>(1,292)</u>
Net cash used in operating activities		<u>(20,688)</u>	<u>(41,597)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Statutory deposits		(25,000)	-
Purchase of investments	6	(433,631)	(182,097)
Proceeds from maturity of Murabaha deposit		-	15,410
Proceeds from sale of investments	6	<u>348,998</u>	<u>194,000</u>
Net cash (used in) / generated from investing activities		<u>(109,633)</u>	<u>27,313</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of additional share capital		250,000	-
Transaction cost on issue of additional share capital		<u>(2,863)</u>	-
Net cash generated from financing activities		<u>247,137</u>	-
Net change in cash and cash equivalents		116,816	(14,284)
Cash and cash equivalents at the beginning of the year		37,147	51,431
Cash and cash equivalents at the end of the year	4	<u><u>153,963</u></u>	<u><u>37,147</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 year ended 31 December 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 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 year ended 31 December 2015

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 months and year ended 31 December 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.

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

- 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 year ended 31 December 2015

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

ALINMA TOKIO MARINE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the year ended 31 December 2015

4 CASH AND CASH EQUIVALENTS

	<i>31 December 2015 (Unaudited)</i>	<i>31 December 2014 (Audited)</i>
	<u>SR' 000</u>	<u>SR'000</u>
<i>Insurance operations</i>		
Cash in hand	40	40
Cash at banks – current accounts	11,812	19,657
	<u>11,852</u>	<u>19,697</u>

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

Shareholders' operations

Cash at banks – current accounts	<u>153,963</u>	<u>37,147</u>
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Cash at banks – Shareholders' Operations includes an amount of SR 3.95 million (2014: SR 37.15 million) held with Alinma Bank, a related party.

5 PREMIUMS AND REINSURANCE RECEIVABLES, NET

	<i>31 December 2015 (Unaudited)</i>	<i>31 December 2014 (Audited)</i>
	<u>SR' 000</u>	<u>SR'000</u>
Premiums receivable – other customers	53,271	18,232
Premiums receivable – related party (note 10)	4,456	1,538
Reinsurance receivables	49,986	11,226
	<u>107,713</u>	<u>30,996</u>
Less: provision for doubtful receivables	<u>(2,003)</u>	<u>(2,491)</u>
	<u>105,710</u>	<u>28,505</u>

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 "FVTIS"):

	<i>31 December 2015 (Unaudited)</i>	<i>31 December 2014 (Audited)</i>
	<u>SR' 000</u>	<u>SR'000</u>
Investments		
Available for sale investment	1,923	1,923
Investments at fair value through income statement (FVTIS)	115,802	32,287
	<u>117,725</u>	<u>34,210</u>

ALINMA TOKIO MARINE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the year ended 31 December 2015

6 INVESTMENTS (continued)

The movement during the year is as follows:

	<i>31 December 2015 (Unaudited) SR' 000</i>	<i>31 December 2014 (Audited) SR'000</i>
<i>Available for sale investment</i>		
Balance at the beginning and end of the year	<u>1,923</u>	<u>1,923</u>
	<i>31 December 2015 (Unaudited) SR' 000</i>	<i>31 December 2014 (Audited) SR'000</i>
<i>Investments at fair value through income statement</i>		
Balance at the beginning of the year	32,287	43,460
Purchased during the year	433,631	182,097
Sold during the year	(348,998)	(194,000)
Realised gain during the year	625	594
Unrealised gain / (loss) during the year	(1,743)	136
Balance at the end of the year	<u>115,802</u>	<u>32,287</u>

(ii) Insurance Operations

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

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

(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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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the year ended 31 December 2015

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

As at 31 December 2015 (Unaudited)	Level 1	Level 2	Level 3	Total
	SR'000	SR'000	SR'000	SR'000
Available for sale investments*				
- Investment in unquoted equity	-	1,923	-	1,923
Fair value through income statements				
- Investment in multi assets mutual funds, equity shares and discretionary portfolios	115,802	-	-	115,802
Total	115,802	1,923	-	117,725
As at 31 December 2014 (Audited)	Level 1	Level 2	Level 3	Total
	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
Available for sale investments*				
- Investment in unquoted equity	-	1,923	-	1,923
Total	99	34,111	-	34,210

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

Insurance Operations

As at 31 December 2015 (Unaudited)	Level 1	Level 2	Level 3	Total
	SR'000	SR'000	SR'000	SR'000
Fair value through income statements				
- Investment in Trade Finance Fund	10,124	-	-	10,124

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)

For the year ended 31 December 2015

7 CLAIMS	Gross SR'000	Reinsurers' share SR'000	Net SR'000
As at 31 December 2015 (Unaudited)			
Claims reported	43,734	(35,117)	8,617
IBNR and other reserves	<u>42,884</u>	<u>(26,539)</u>	<u>16,345</u>
	86,618	(61,656)	24,962
Claims paid during the year ended 31 December 2015	98,979	(69,509)	29,470
As at 31 December 2014 (Audited)			
Claims reported	15,730	(7,806)	7,924
IBNR and other reserves	<u>20,359</u>	<u>(9,778)</u>	<u>10,581</u>
	36,089	(17,584)	18,505
Claims incurred during the year ended 31 December 2015	<u><u>149,508</u></u>	<u><u>(113,581)</u></u>	<u><u>35,927</u></u>
As at 31 December 2014 (Audited)			
Claims reported	15,730	(7,806)	7,924
IBNR and other reserves	<u>20,359</u>	<u>(9,778)</u>	<u>10,581</u>
	36,089	(17,584)	18,505
Claims paid during the year ended 31 December 2014	44,878	(23,069)	21,809
As at 31 December 2013 (Audited)			
Claims reported	9,592	(8,298)	1,294
IBNR and other reserves	<u>9,546</u>	<u>(3,660)</u>	<u>5,886</u>
	19,138	(11,958)	7,180
Claims incurred during the year ended 31 December 2014	<u><u>61,829</u></u>	<u><u>(28,695)</u></u>	<u><u>33,134</u></u>

The Company has maintained a provision in respect of premium deficiency amounting to SR 3.1 million (2014: 2.92 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 year is as follows:

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