

ALINMA TOKIO MARINE COMPANY
(A Saudi Joint Stock Company)

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

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2014

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REVIEW REPORT
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2014**

INDEX	PAGES
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



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 30 September 2014, the related interim statements of insurance operations, shareholders' operations and shareholders' comprehensive income for the three month and nine month periods then ended, the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the nine month period then ended and the related notes which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard - 34 "Interim Financial Reporting" (IAS 34) and submitted to us together with all the information and explanations which we required. We conducted our 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 limited review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with IAS 34.

EMPHASIS OF MATTER

We draw attention to the following:

1. These interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with the standard on Interim Financial Reporting issued by SOCPA; and
2. We draw attention to note 2 to the interim condensed financial statements which sets out the fact that the Board of Directors of the Company has decided to recommend 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 shareholders, Saudi Arabia Monetary Agency and other regulatory authorities in the Kingdom of Saudi Arabia to complete legal formalities.

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28 Thul Hijjah 1435H
22 October 2014



ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2014

	<i>Notes</i>	<i>30 September 2014 (Unaudited) SR' 000</i>	<i>31 December 2013 (Audited) SR'000</i>
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	4	20,408	8,924
Premiums and reinsurance receivables, net	5	35,336	16,750
Reinsurers' share of outstanding claims	7	33,690	11,958
Reinsurers' share of unearned premiums		17,994	8,826
Deferred policy acquisition costs		1,145	1,218
Due from shareholders' operations		2,930	9,223
Prepayments and other assets		1,483	3,374
Furniture, fittings and office equipment		5,012	4,449
TOTAL INSURANCE OPERATIONS' ASSETS		117,998	64,722
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	4	36,437	51,431
Murabaha deposits		15,724	15,410
Investments	6	33,966	45,383
Due from a related party	9	10	117
Prepayments and other assets		56	--
Statutory deposit		20,000	20,000
TOTAL SHAREHOLDERS' ASSETS		106,193	132,341
TOTAL ASSETS		224,191	197,063


Director

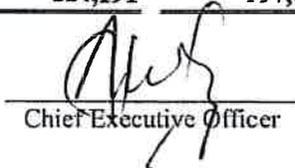

Chief Financial Officer


Chief Executive Officer

The accompanying notes 1 to 13 form an integral part of these unaudited interim condensed financial statements.

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION (continued)
AS AT 30 SEPTEMBER 2014

	<i>Notes</i>	<i>30 September 2014 (Unaudited) SR' 000</i>	<i>31 December 2013 (Audited) SR'000</i>
INSURANCE OPERATIONS' LIABILITIES			
Gross outstanding claims	7	48,935	19,138
Reinsurance balances payable		20,965	12,253
Gross unearned premiums		30,169	18,066
Unearned reinsurance commission		3,692	1,665
Accrued expenses and other liabilities		12,863	11,985
Employees' end-of-service benefits		1,374	1,615
TOTAL INSURANCE OPERATIONS' LIABILITIES		<u>117,998</u>	<u>64,722</u>
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Accrued expenses and other liabilities		1,774	2,534
Due to insurance operations		2,930	9,223
Provision for zakat and income tax	8	1,018	1,809
Total shareholders' liabilities		<u>5,722</u>	<u>13,566</u>
SHAREHOLDERS' EQUITY			
Share capital		200,000	200,000
Accumulated losses		(99,529)	(81,225)
Total shareholders' equity		<u>100,471</u>	<u>118,775</u>
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		<u>106,193</u>	<u>132,341</u>
TOTAL INSURANCE OPERATIONS' LIABILITIES, SHAREHOLDERS' LIABILITIES AND EQUITY		<u>224,191</u>	<u>197,063</u>
 _____ Director	 _____ Chief Financial Officer	 _____ Chief Executive Officer	

The accompanying notes 1 to 13 form an integral part of these unaudited interim condensed financial statements.

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

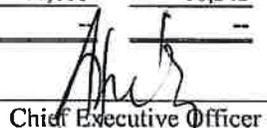
INTERIM STATEMENT OF INSURANCE OPERATIONS

For the three-month and nine-month period ended 30 September 2014

	<i>Notes</i>	<i>Three-month period ended 30 September 2014 (Unaudited) SR '000</i>	<i>Three-month period ended 30 September 2013 (Unaudited) SR '000</i>	<i>Nine-month period ended 30 September 2014 (Unaudited) SR '000</i>	<i>Nine-month period ended 30 September 2013 (Unaudited) SR '000</i>
REVENUES					
Gross written premiums		18,903	13,622	75,548	33,031
Reinsurance premiums ceded		(11,618)	(4,397)	(44,864)	(18,075)
Excess of loss premiums		(966)	(1,527)	(3,327)	(3,336)
Net written premiums		<u>6,319</u>	<u>7,698</u>	<u>27,357</u>	<u>11,620</u>
Changes in gross unearned premiums		3,381	(3,715)	(12,103)	(15,484)
Changes in reinsurance share of unearned premiums		(1,286)	(1,508)	9,168	7,240
Net change in unearned premiums		<u>2,095</u>	<u>(5,223)</u>	<u>(2,935)</u>	<u>(8,244)</u>
Net earned premiums		<u>8,414</u>	<u>2,475</u>	<u>24,422</u>	<u>3,376</u>
Reinsurance commission earned and other income		2,792	798	5,796	1,509
Total insurance revenues		<u>11,206</u>	<u>3,273</u>	<u>30,218</u>	<u>4,885</u>
CLAIMS AND EXPENSES					
Gross claims paid	7	(9,395)	(51,137)	(25,956)	(51,240)
Reinsurers' share of gross claims paid	7	4,140	47,701	10,978	47,783
Net claims paid	7	<u>(5,255)</u>	<u>(3,436)</u>	<u>(14,978)</u>	<u>(3,457)</u>
Changes in gross outstanding claims		(10,922)	(5,383)	(29,797)	(10,488)
Changes in reinsurers' share of outstanding claims		8,778	3,459	21,732	7,979
Net outstanding claims		<u>(2,144)</u>	<u>(1,924)</u>	<u>(8,065)</u>	<u>(2,509)</u>
Net claims incurred	7	<u>(7,399)</u>	<u>(5,360)</u>	<u>(23,043)</u>	<u>(5,966)</u>
Policy acquisition costs		(640)	(216)	(2,073)	(272)
Inspection and supervision fees		(68)	(67)	(284)	(157)
General and administrative expenses		(3,998)	(7,738)	(21,360)	(22,019)
Total claims and expenses		<u>(12,105)</u>	<u>(13,381)</u>	<u>(46,760)</u>	<u>(28,414)</u>
Net deficit for the period from insurance operations		<u>(899)</u>	<u>(10,108)</u>	<u>(16,542)</u>	<u>(23,529)</u>
Appropriation of net deficit transferred to the shareholders' operations	3	899	10,108	16,542	23,529
Net result for the period from insurance operations		<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>


Director


Chief Financial Officer

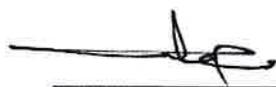

Chief Executive Officer

The accompanying notes 1 to 13 form an integral part of these unaudited interim condensed financial statements.

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS
For the three-month and nine-month period ended 30 September 2014

	<i>Three-month period ended 30 September 2014</i>	<i>Three-month period ended 30 September 2013</i>	<i>Nine-month period ended 30 September 2014</i>	<i>Nine-month period ended 30 September 2013</i>
<i>Notes</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>
INCOME				
Investment and other income	256	778	904	1,468
EXPENSES				
Net deficit transferred from insurance operations	3 (899)	(10,108)	(16,542)	(23,529)
General and administrative expenses	(633)	(755)	(2,166)	(1,877)
Total expenses	(1,532)	(10,863)	(18,708)	(25,406)
Net loss for the period from shareholders' operations	(1,276)	(10,085)	(17,804)	(23,938)
Loss per share (SR)	10 (0.064)	(0.504)	(0.890)	(1.197)



Director



Chief Financial Officer



Chief Executive Officer

The accompanying notes 1 to 13 form an integral part of these unaudited interim condensed financial statements.

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
For the three-month and nine-month period ended 30 September 2014

	<i>Three-month period ended 30 September 2014</i>	<i>Three-month period ended 30 September 2013</i>	<i>Nine-month period ended 30 September 2014</i>	<i>Nine-month period ended 30 September 2013</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 from shareholders' operations	(1,276)	(10,085)	(17,804)	(23,938)
Other comprehensive expense				
Zakat for the period	8 (250)	(342)	(500)	(342)
Total comprehensive loss for the period from shareholders' operations	(1,526)	(10,427)	(18,304)	(24,280)


Director


Chief Financial Officer


Chief Executive Officer

The accompanying notes 1 to 13 form an integral part of these unaudited interim condensed financial statements.

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the nine-month period ended 30 September 2014

	<u>Share capital</u> <i>SR '000</i>	<u>Accumulated losses</u> <i>SR '000</i>	<u>Total</u> <i>SR '000</i>
2014			
Balance as at 1 January 2014 (audited)	200,000	(81,225)	118,775
Total comprehensive loss for the period	--	(17,804)	(17,804)
Zakat for the period	--	(500)	(500)
Balance as at 30 September 2014 (unaudited)	200,000	(99,529)	100,471
2013			
Balance as at 1 January 2013 (audited)	200,000	(48,022)	151,978
Total comprehensive loss for the period	--	(23,938)	(23,938)
Zakat for the period	--	(342)	(342)
Balance as at 30 September 2013 (unaudited)	200,000	(72,302)	127,698



Director



Chief Financial Officer



Chief Executive Officer

The accompanying notes 1 to 13 form an integral part of these unaudited interim condensed financial statements.

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the nine-month period ended 30 September 2014

	<i>Note</i>	2014 <i>(Unaudited)</i> SR '000	2013 <i>(Unaudited)</i> SR '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net result for the period from insurance operations			
Adjustments for:			
Allowance for doubtful receivables		1,319	609
Depreciation		1,340	1,176
Loss on disposal of fixed assets		-	2
Employees' end of service benefits, net		(241)	480
Income before changes in operating assets and liabilities		<u>2,418</u>	<u>2,267</u>
<i>Changes in operating assets and liabilities:</i>			
Reinsurers' share of unearned premiums		(9,168)	(7,240)
Gross unearned premiums		12,103	15,484
Premiums and reinsurance receivables, net		(19,905)	(27,599)
Reinsurers' share of outstanding claims		(21,732)	(7,979)
Deferred policy acquisition cost		73	(954)
Prepayments and other assets		1,891	(2,943)
Gross outstanding claims		29,797	10,488
Due from shareholders' operations		6,293	(10,111)
Reinsurance balances payable		8,712	8,739
Unearned reinsurance commission		2,027	1,373
Accrued expenses and other liabilities		878	21,987
Net cash generated from operating activities		<u>13,387</u>	<u>3,512</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of furniture, fittings and office equipment		(1,903)	(850)
Proceeds from disposal of fixed assets		-	1
Net cash used in investing activities		<u>(1,903)</u>	<u>(849)</u>
Net change in cash and cash equivalents		11,484	2,663
Cash and cash equivalents at the beginning of the period		<u>8,924</u>	<u>96</u>
Cash and cash equivalents at the end of the period	4	<u>20,408</u>	<u>2,759</u>
			
Director			
			
Chief Financial Officer			
			
Chief Executive Officer			

The accompanying notes 1 to 13 form an integral part of these unaudited interim condensed financial statements.

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS
For the nine-month period ended 30 September 2014

	<i>Notes</i>	2014 <i>(Unaudited)</i> SR '000	2013 <i>(Unaudited)</i> SR '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the period		(17,804)	(23,938)
Adjustment for:			
Realized gain on trading investments		(108)	(644)
Unrealized gain on trading investments		(475)	4
Accrued income on Murabaha deposits		(314)	(26)
Loss before changes in operating assets and liabilities		(18,701)	(24,604)
<i>Changes in operating assets and liabilities:</i>			
Prepayments and other assets		(56)	(341)
Due from / to related parties		107	(19,383)
Due to insurance operations		(6,293)	--
Due from insurance operations		--	10,111
Accrued expenses and other liabilities		(760)	763
Zakat paid		(1,291)	--
Net cash used in operating activities		(26,994)	(33,454)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	6	(147,000)	(124,987)
Proceeds from sale of investments	6	159,000	199,565
Net cash from investing activities		12,000	74,578
Net change in cash and cash equivalents		(14,994)	41,124
Cash and cash equivalents at the beginning of the period		51,431	15,049
Cash and cash equivalents at the end of the period	4	36,437	56,173


Director


Chief Financial Officer


Chief Executive Officer

The accompanying notes 1 to 13 form an integral part of these unaudited interim condensed financial statements.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the nine-month period ended 30 September 2014

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 1010342537 dated 28 Rajab 1433H (corresponding to 18 June 2012). The registered office address of the Company is:

Al-Mosa Centre,
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 AND ASSET TRANSFER AGREEMENTS

After careful consideration, the Board of Directors of the Company has decided to recommend 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 above-mentioned recommendation of the Board of Directors, the Company is in the process of seeking necessary approvals from shareholders, Saudi Arabia Monetary Agency and other regulatory authorities in the Kingdom of Saudi Arabia to complete the related legal formalities. However, the Company shall make payments for fixed assets in its use to Hussein Aouei Company ("HAC") at mutually agreed price.

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

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

For the nine-month period ended 30 September 2014

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.

In accordance with Article 70 of the SAMA Implementing Regulations, the Company proposes to 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 nine-month period ended 30 September 2014 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 period ended 31 December 2013. Certain comparative amounts have been 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.

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

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

For the nine-month period ended 30 September 2014

3. BASIS OF PREPARATION (continued)

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 period ended 31 December 2013, except for the adoption of the following amendments to existing standards mentioned below which had no financial impact on the financial statements of the Company:

AMENDMENTS TO EXISTING STANDARDS

The following amendments and revisions, as issued by the International Accounting Standards Board (IASB) did not have any impact on the accounting policies, financial position or performance of the Company.

- Amendments to IFRS 10, IFRS 12, and IAS 27 that provide consolidation relief for investment funds applicable from 1 January 2014. This mandatory consolidation relief provides that a qualifying investment entity is required to account for investments in controlled entities as well as investments in associates and joint ventures at fair value through income statement provided it fulfils certain conditions with an exception being for subsidiaries that are considered an extension of the investment entity's investing activities;
- IAS 32 amendment applicable from 1 January 2014 clarifies that a) an entity currently has a legally enforceable right to off-set if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and b) gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk and processes receivables and payables in a single settlement process or cycle; and
- IAS 36 amendment applicable retrospectively from 1 January 2014, addresses the disclosure of information about the recoverable amount of impaired assets. Under the amendments, recoverable amounts of every cash generating unit to which goodwill or indefinite – lived intangible assets have been allocated is required to be disclosed only when an impairment loss has been recognized or reversed;

The Company has not early adopted any other standard, interpretation or amendment that has been issued for early adoption but is not yet effective.

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

For the nine-month period ended 30 September 2014

4. CASH AND CASH EQUIVALENTS

	<i>30 September 2014 (Unaudited) SR '000</i>	<i>31 December 2013 (Audited) SR '000</i>
<i>Insurance operations – Cash and cash equivalents</i>		
Cash in hand	40	42
Cash at banks – current accounts	20,368	8,882
	<u>20,408</u>	<u>8,924</u>

Cash at banks include an amount of SR 20.36 million (2013: SR 8.87) held with Alinma Bank, a related party.

<i>Shareholders' operations – Cash and cash equivalents</i>		
Cash at banks – current accounts	36,437	1,431
Short-term Murabaha deposits	–	50,000
	<u>36,437</u>	<u>51,431</u>

Cash at banks and short-term Murabaha deposits are held and placed with Alinma Bank, a related party. Short-term Murabaha deposits are placed for a period ranging from 7 days to three months depending upon the immediate cash requirement of the Company.

5. PREMIUMS AND REINSURANCE RECEIVABLES, NET

	<i>30 September 2014 (Unaudited) SR '000</i>	<i>31 December 2013 (Audited) SR '000</i>
Premiums receivable – other customers	27,018	11,598
Premiums receivable – related party (note 9)	1,510	1,837
Reinsurance receivables	9,299	4,487
	<u>37,827</u>	<u>17,922</u>
Less: Provision for doubtful receivables	<u>(2,491)</u>	<u>(1,172)</u>
	<u>35,336</u>	<u>16,750</u>

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

For the nine-month period ended 30 September 2014

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 (classified as trading investments):

	<i>30 September 2014 (Unaudited) SR '000</i>	<i>31 December 2013 (Audited) SR '000</i>
Investments		
Available-for-sale investment	1,923	1,923
Trading investments	32,043	43,460
	<u>33,966</u>	<u>45,383</u>

The movement during the period is as follows:

	<i>30 September 2014 (Unaudited) SR '000</i>	<i>31 December 2013 (Audited) SR '000</i>
<i>Available-for-sale</i>		
Opening balance	1,923	2,423
Sold during the period / year	--	(500)
Balance at the end of the period / year	<u>1,923</u>	<u>1,923</u>

	<i>30 September 2014 (Unaudited) SR '000</i>	<i>31 December 2013 (Audited) SR '000</i>
<i>Trading investments</i>		
Opening balance	43,460	124,103
Purchased during the period / year	147,000	167,987
Sold during the period / year	(159,000)	(249,565)
Realised gain during the period / year, net	108	191
Unrealised gain during the period / year	475	744
Balance at the end of the period / year	<u>32,043</u>	<u>43,460</u>

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

For the nine-month period ended 30 September 2014

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.

The fair value measurement is based on the presumption that the transaction takes place either:

- In the accessible principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous accessible market for the asset or liability.

Consequently, differences can arise between the carrying values and fair value estimates. The Company's financial assets consist of cash and cash equivalents, receivables, reinsurers' share of unearned premium and outstanding claims, other assets, investments, statutory deposits and accrued income and its financial liabilities consist of outstanding claims, reinsurance balance payable and accrued expenses and other liabilities.

The fair values of financial assets that are traded in active market are based on quoted market prices or dealer price quotations. For all other financial instruments the fair value is based on other valuation techniques. These are not materially different from their carrying values at the financial position date.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for identical assets or liabilities (i.e. without modification or repacking).

Level 2: quoted prices in active markets for similar financial assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: prices based on valuation techniques for which significant inputs are not based on observable market data.

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

As at 30 September 2014 (Unaudited)	(SR'000)			Total
	Level 1	Level 2	Level 3	
Trading investment				
- Investment in commodity fund	--	32,043	--	32,043
Available-for-sale investment				
- Unquoted equity investment	--	--	--	--
Total	--	32,043	--	32,043

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

For the nine-month period ended 30 September 2014

6. INVESTMENTS (continued)

<u>As at 31 December 2013 (Audited)</u>	<u>(SR'000)</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Trading investment				
- Investment in commodity fund	--	43,460	--	43,460
Available-for-sale investment				
- Unquoted equity investment	--	--	--	--
Total	--	43,460	--	43,460

The unlisted available for sale securities amounting to SR 1.923 million are 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 / year.

7. CLAIMS

	<u>Gross</u>	<u>Reinsurance</u>	<u>Net</u>
	<u>SR'000</u>	<u>share</u>	<u>SR'000</u>
		<u>SR'000</u>	<u>SR'000</u>
As at 30 September 2014 (Unaudited)			
Claims reported	24,294	(17,514)	6,780
IBNR and other reserves	24,641	(16,176)	8,465
	<u>48,935</u>	<u>(33,690)</u>	<u>15,245</u>
Claims paid during the nine-month period ended 30 September 2014	<u>25,956</u>	<u>(10,978)</u>	<u>14,978</u>
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 nine-month period ended 30 September 2014	<u>55,753</u>	<u>(32,710)</u>	<u>23,043</u>

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

For the nine-month period ended 30 September 2014

7. CLAIMS (continued)

	Gross	Reinsurance share	Net
	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
As at 30 September 2013 (Unaudited)			
Claims reported	4,686	(4,261)	425
IBNR and other reserves	<u>7,700</u>	<u>(3,726)</u>	<u>3,974</u>
	12,386	(7,987)	4,399
Claims paid during the nine-month period ended 30 September 2013	<u>51,240</u>	<u>(47,783)</u>	<u>3,457</u>
As at 31 December 2012 (Audited)			
Claims reported	--	--	--
IBNR and other reserves	<u>1,898</u>	<u>(8)</u>	<u>1,890</u>
	1,898	(8)	1,890
Claims incurred during the nine-month period ended 30 September 2013	<u>61,728</u>	<u>(55,762)</u>	<u>5,966</u>

During the current period ended 30 September 2014, the Company has maintained a provision in respect of premium deficiency, amounting to SR 2.15 million (2013: SR 2.15 million), for Motor, Marine and General accident line 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.

8. PROVISION FOR ZAKAT AND INCOME TAX

The provision for zakat and income tax payable by the Company has been calculated based on the best estimate of management.

Zakat

Movements in the zakat payable are as follows:

	<i>30 September 2014 (Unaudited)</i>	<i>31 December 2013 (Audited)</i>
	<u>SR' 000</u>	<u>SR'000</u>
Opening balance	1,809	1,891
Provided during the period / year	500	342
Paid during the period / year	<u>(1,291)</u>	<u>(424)</u>
Balance at the end of the period / year	<u>1,018</u>	<u>1,809</u>

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

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

For the nine-month period ended 30 September 2014

8. PROVISION FOR ZAKAT AND INCOME TAX (continued)

Income tax

The Company has incurred a net loss during the nine-month period ended 30 September 2014 and in prior periods, therefore, no income tax is due or charged to the unaudited interim statement of shareholders' comprehensive income.

9. RELATED PARTY TRANSACTIONS AND BALANCES

9.1(a) Following are the details of major related party transactions during the period:

<u>Nature of transaction</u>	<u>Related party</u>	<i>Three-month period ended 30 September 2014</i>	<i>Three-month period ended 30 September 2013</i>	<i>Nine-month period ended 30 September 2014</i>	<i>Nine-month period ended 30 September 2013</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>
		<u>Amount of transactions</u>			
Insurance premiums	Shareholder	<u>5,548</u>	<u>4,305</u>	<u>15,944</u>	<u>8,743</u>
Reinsurance premiums	Shareholder	<u>268</u>	<u>689</u>	<u>1,749</u>	<u>3,776</u>
Claims paid	Shareholder	<u>3,647</u>	<u>338</u>	<u>8,293</u>	<u>423</u>
Reinsurance Commission	Shareholder	<u>12</u>	<u>68</u>	<u>210</u>	<u>449</u>
General and administration expenses	Shareholders	<u>--</u>	<u>116</u>	<u>--</u>	<u>466</u>
	Associate	<u>61</u>	<u>36</u>	<u>203</u>	<u>73</u>

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

For the nine-month period ended 30 September 2014

9. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

9.1(b) Following are the details of major related party balances at the end of the period / year:

<u>Nature of Transaction</u>	<u>Related party</u>	<i>30 September</i>	<i>31 December</i>
		<i>2014</i>	<i>2013</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
		<i>SR'000</i>	<i>SR'000</i>
Premiums receivable	Shareholder	<u>1,510</u>	<u>1,837</u>
Reinsurance balances (payable)/ receivable	Shareholder	<u>(2,319)</u>	<u>4,662</u>
Due from a related party	Associate	<u>10</u>	<u>117</u>
Gross claims outstanding	Shareholder	<u>9,395</u>	<u>349</u>
Murabaha Deposits	Shareholder	<u>--</u>	<u>50,000</u>

9.2 Information relating to key management personnel

	<i>Three-month period ended 30 September 2014</i>	<i>Three-month period ended 30 September 2013</i>	<i>Nine-month period ended 30 September 2014</i>	<i>Nine-month period ended 30 September 2013</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>
Short-term benefits	<u>1,073</u>	<u>1,407</u>	<u>3,615</u>	<u>3,707</u>
Long-term benefits	<u>54</u>	<u>59</u>	<u>146</u>	<u>164</u>

Short-term benefits include salaries and allowances whilst long-term benefits include employees' end of service benefits.

9.3 Board and sub-committee related expenses:

	<i>Three-month period ended 30 September 2014</i>	<i>Three-month period ended 30 September 2013</i>	<i>Nine-month period ended 30 September 2014</i>	<i>Nine-month period ended 30 September 2013</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>
Board of Directors' remuneration	<u>255</u>	<u>255</u>	<u>765</u>	<u>765</u>
Board and sub-committees attendance fee	<u>108</u>	<u>--</u>	<u>380</u>	<u>131</u>

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

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

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

For the nine-month period ended 30 September 2014

10. 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 period/ year-end (20 million shares). Diluted loss per share is not applicable for the Company for the period ended 30 September 2014.

11. CONTINGENT LIABILITIES AND COMMITMENTS

As at 30 September 2014, the Company had no contingent liabilities and commitments.

12. SEGMENT REPORTING

Segment information is presented in respect of the Company's business segments which are Fire, Marine, General Accident, Engineering, Motor and Group Credit 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 furniture, fittings and office equipment.

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

Segment results do not include general and administrative expenses.

These unallocated assets and liabilities (including the related charges for provision for doubtful debts on premium receivable and depreciation on the property and equipment) are monitored on a centralized basis.

Consistent with the Company's internal reporting process, operating segments have been approved by management in respect of the Company's activities, assets and liabilities. Information disclosed in the note is based on current reporting to the Chief Executive Officer as follows: