

ALINMA TOKIO MARINE COMPANY
(A Saudi Joint Stock Company)

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

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ALINMA TOKIO MARINE COMPANY (A SAUDI JOINT STOCK COMPANY)

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of Alinma Tokio Marine Company (A Saudi Joint Stock Company) (the "Company") as at 31 March 2017 and the related interim statement of income - insurance operations and accumulated surplus, interim statement of income - shareholders' operations, interim statement of shareholders' comprehensive income, interim statement of changes in shareholders' equity, and interim statements of insurance operations' and shareholders' operations cash flows for the three months period then ended, and the related notes which form an integral part of these interim condensed financial information. Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) and Saudi Arabian Monetary Authority ("SAMA") guidance on accounting for zakat and income tax. Our responsibility is to express a conclusion on this interim financial information based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", as endorsed in the kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with IAS 34 and SAMA's guidance on accounting for zakat and income tax.

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May 11, 2017(G)
Shaa'ban 15, 1438 (H)

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	<i>Notes</i>	<i>31 March 2017 (Unaudited) SR'000</i>	<i>31 December 2016 (Audited) SR'000</i>
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	10,411	4,308
Premiums and reinsurance receivables, net	5	245,164	193,920
Reinsurers' share of unearned premiums		28,612	40,429
Reinsurers' share of outstanding claims	7	85,415	137,378
Deferred policy acquisition costs		9,231	5,438
Prepayments and other assets		10,638	4,928
Fixed assets		6,373	6,590
Unit linked investments		4,045	3,471
TOTAL INSURANCE OPERATIONS' ASSETS		399,889	396,462
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	51,534	136,002
Murabaha deposit	4	91,705	-
Investments	6	73,558	99,750
Statutory deposit		45,000	45,000
Prepayments and other assets		436	1,590
Due from a related party	10	105	-
Due from insurance operations		38,735	17,331
TOTAL SHAREHOLDERS' ASSETS		301,073	299,673
TOTAL ASSETS		700,962	696,135

 Director	 Chief Financial Officer	 Chief Executive Officer
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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)

INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	<i>Notes</i>	<i>31 March 2017 (Unaudited) SR'000</i>	<i>31 December 2016 (Audited) SR'000</i>
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
INSURANCE OPERATIONS' LIABILITIES			
Gross outstanding claims	7	127,488	183,459
Reinsurance balances payable		86,863	82,618
Gross unearned premiums		103,939	75,403
Unearned reinsurance commission		5,894	7,003
Accrued expenses and other liabilities		29,693	24,394
Employees' end of service benefits		3,032	2,783
Unit linked liabilities		4,045	3,471
Due to shareholders' operations		38,735	17,331
Total Insurance Operations' liabilities		399,689	396,462
INSURANCE OPERATIONS' SURPLUS		200	-
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS		399,889	396,462
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Accrued expenses and other liabilities		3,766	3,819
Zakat and income tax payable	8	5,152	4,200
Total shareholders' liabilities		8,918	8,019
SHAREHOLDERS' EQUITY			
Share capital	9	450,000	450,000
Accumulated losses		(157,845)	(158,346)
Total shareholders' equity		292,155	291,654
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		301,073	299,673
TOTAL INSURANCE OPERATIONS' LIABILITIES, SURPLUS, SHAREHOLDERS' LIABILITIES AND EQUITY		700,962	696,135


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 INCOME - INSURANCE OPERATIONS AND ACCUMULATED SURPLUS
For the three month period ended 31 March 2017

	Notes	Three months period ended 31 March 2017 (Unaudited) SR'000	Three months period ended 31 March 2016 (Unaudited) SR'000
REVENUES			
Gross written premiums		103,768	163,885
Reinsurance premiums ceded		(30,709)	(98,471)
Excess of loss expenses		(1,459)	(783)
Net written premiums		71,600	64,631
Changes in gross unearned premiums		(28,536)	(95,437)
Changes in reinsurance share of unearned premiums		(11,817)	51,591
Net change in unearned premiums		(40,353)	(40,846)
Net earned premiums		31,247	23,785
Reinsurance commission earned and other income		7,131	5,918
Total insurance revenues		38,378	29,703
CLAIMS AND EXPENSES			
Gross claims paid	7	(89,786)	(42,766)
Reinsurers' share of gross claims paid	7	67,609	30,910
Net claims paid	7	(22,177)	(11,856)
Changes in gross outstanding claims		55,971	(4,672)
Changes in reinsurers' share of outstanding claims		(51,963)	(2,285)
Net outstanding claims		4,008	(6,957)
Net claims incurred		(18,169)	(18,813)
Change in unit linked reserves		(574)	(141)
Surrenders		(52)	(1)
Policy acquisition costs		(5,478)	(3,693)
Inspection and supervision fees		(507)	(480)
Other underwriting income		955	601
Net underwriting loss		(23,825)	(22,527)
Investment income		15	2
General and administrative expenses		(12,570)	(13,675)
Total claims and expenses, net		(36,380)	(36,200)
Surplus / (deficit) for the period from insurance operations		1,998	(6,497)
Appropriation to shareholders' operations		(1,798)	6,497
Surplus for the period after appropriations to shareholders' operations		200	-
Accumulated surplus, at the beginning of the period		-	-
Accumulated surplus, at the end of the period		200	-

Director

Chief Financial Officer

Chief Executive Officer

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ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INCOME - SHAREHOLDERS' OPERATIONS

For the three month period ended 31 March 2017

	<i>Three months period ended 31 March 2017</i> <i>(Unaudited)</i> SR'000	<i>Three months period ended 31 March 2016</i> <i>(Unaudited)</i> SR'000
<i>Notes</i>		
Net income / (deficit) transferred from insurance operations	1,798	(6,497)
Investment income	676	54
	2,474	(6,443)
General and administrative expenses	(1,021)	(985)
Net income / (loss) for the period	1,453	(7,428)
Earnings / (loss) per share for the period (SR)	0.032	(0.165)
Number of outstanding shares	45,000	45,000


Director


Chief Financial Officer



Chief Executive Officer

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ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
For the three month period ended 31 March 2017

	<i>Three months period ended 31 March 2017</i>	<i>Three months period ended 31 March 2016</i>
<i>Notes</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SR'000</i>	<i>SR'000</i>
Net income / (loss) for the period	1,453	(7,428)
Other comprehensive income	-	-
Total comprehensive income / (loss) for the period	1,453	(7,428)



Director



Chief Financial Officer



Chief Executive Officer

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ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the three month period ended 31 March 2017

	Share capital	Accumulated losses	Total
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
2017			
Balance as at 1 January 2017 (Audited)	450,000	(158,346)	291,654
Total comprehensive income for the period	-	1,453	1,453
Provision for zakat for the period	-	(952)	(952)
Balance as at 31 March 2017 (Unaudited)	450,000	(157,845)	292,155
2016			
Balance as at 1 January 2016 (Audited)	450,000	(137,074)	312,926
Total comprehensive loss for the period	-	(7,428)	(7,428)
Provision for zakat for the period	-	-	-
Balance as at 31 March 2016 (Unaudited)	450,000	(144,502)	305,498


Director


Chief Financial Officer


Chief Executive Officer

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

For the three month period ended 31 March 2017

<i>Note</i>	<i>Three months period ended 31 March 2017 (Unaudited) SR'000</i>	<i>Three months period ended 31 March 2016 (Unaudited) SR'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net result for the period from insurance operations	200	-
Adjustments for non-cash items:		
Shareholders' operations appropriations	1,798	
Realized gain on FVTIS investments	-	(46)
Allowance for doubtful receivables	1,270	1,770
Depreciation	702	696
Employees' end of service benefits	305	245
Income before changes in operating assets and liabilities	4,275	2,665
<i>Changes in operating assets and liabilities:</i>		
<i>Operating assets:</i>		
Premiums and reinsurance receivables	(52,514)	(141,955)
Reinsurers' share of outstanding claims	51,963	2,285
Reinsurers' share of unearned premiums	11,817	(54,591)
Deferred policy acquisition costs	(3,793)	(4,819)
Due to / (from) shareholders' operations	19,606	(7,249)
Prepayments and other assets	(5,710)	(646)
<i>Operating liabilities:</i>		
Gross outstanding claims	(55,971)	4,672
Reinsurance balances payable	4,245	81,568
Gross unearned premiums	28,536	95,437
Unearned reinsurance commission	(1,109)	(537)
Accrued expenses and other liabilities	5,299	17,561
Unit linked liabilities	574	141
Cash from operations	7,218	(5,468)
Employees' end of service benefits paid	(56)	(115)
Net cash generated from / (used in) operating activities	7,162	(5,583)
CASH FLOWS FROM INVESTING ACTIVITIES		
Unit linked investments	(574)	(55)
Purchase of investments	-	(10,000)
Proceeds from sale of investments	-	20,170
Purchase of property and equipment	(485)	(166)
Net cash (used in) / generated from investing activities	(1,059)	9,949
Net change in cash and cash equivalents	6,103	4,366
Cash and cash equivalents at the beginning of the period	4,308	11,852
Cash and cash equivalents at the end of the period	10,411	16,218


Director


Chief Financial Officer


Chief Executive Officer

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

For the three month period ended 31 March 2017

	<i>Notes</i>	<i>Three months period ended 31 March 2017 Unaudited SR'000</i>	<i>Three months period ended 31 March 2016 Unaudited SR'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income / (loss) for the period		1,453	(7,428)
Adjustments for non-cash items:			
Shareholders' appropriations from insurance operations		(1,798)	
Realized (gain) on FVTIS	6 (i)	(82)	(13)
Unrealized loss on FVTIS	6 (i)	244	1,026
Loss before changes in operating assets and liabilities		(183)	(6,415)
<i>Changes in operating assets and liabilities:</i>			
<i>Operating assets:</i>			
Due from related parties		(105)	(57)
Due from insurance operations		(19,606)	7,249
Prepayments and other assets		1,154	(406)
<i>Operating liabilities:</i>			
Accrued expenses and other liabilities		(53)	436
Net cash (used in) / generated from operating activities		(18,793)	807
CASH FLOWS FROM INVESTING ACTIVITIES			
Murabaha deposit		(91,705)	(100,316)
Purchase of investments		(35,155)	(10,000)
Proceeds from sale of investments		61,185	35,000
Net cash used in investing activities		(65,675)	(75,316)
Net change in cash and cash equivalents		(84,468)	(74,509)
Cash and cash equivalents at the beginning of the period		136,002	153,963
Cash and cash equivalents at the end of the period	3	51,534	79,454



Director



Chief Financial Officer



Chief Executive Officer

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

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the three month period ended 31 March 2017

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 BASIS OF PREPARATION

2.1 Statement of compliance

During 2017, SAMA issued guidance for the accounting of zakat and income tax through a circular number 381000074519 dated 14 Rajab 1438H (corresponding to April 11, 2017) and subsequent clarifications. This change in framework resulted in a change in accounting policy for zakat and the effects of this change are disclosed in note 13 to the interim condensed financial information

Applying the above framework, the interim condensed financial statements of the Company as at and for the three month period ended March 31, 2017 have been prepared using the International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") and SAMA guidance for the accounting of zakat and tax.

Until 2016, the condensed interim financial statements of the Company were prepared in accordance with the IAS 34. The change in framework resulted in a change in the presentation of zakat and income tax (as disclosed in note 2.5) to the condensed interim financial statements.

These interim condensed financial statements for the three months and year ended 31 March 2017 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 2016.

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.

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the three month period ended 31 March 2017

2 BASIS OF PREPARATION (continued)

2.1 Statement of compliance (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 and as stipulated by SAMA circular, provided the customer contract (policy) is active and paid-up to date at the time of settlement of the cooperative distribution amount.

2.2 Critical accounting estimates and judgements

The preparation of interim condensed financial statements in conformity with IFRS and guidance provided by SAMA for zakat and income tax 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.

2.3 Comparatives

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.

2.4 Functional and reporting currency

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

2.5 Significant accounting and risk management policies

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 2016, except that the Company used to charge zakat and income tax to the condensed interim statement of changes in shareholders' equity through the condensed interim statement of shareholders' comprehensive income. As a result of the Circular, the Company has changed its presentation relating to zakat and income tax and has started to charge zakat and income tax directly to the condensed interim statement of shareholders' equity. The Company has accounted for this change retrospectively, which has no effect on other comprehensive income as no zakat and tax was accounted for in the period then ended March 31, 2016. The above change did not have any impact on components of the shareholders' equity of prior periods presented earlier.

2.6 Standards, interpretations and amendments to existing standards

New IFRS, International Financial Reporting and Interpretations Committee's interpretations ("IFRIC") and amendments thereof, adopted by the Company

The adoption of certain amendments and revisions to existing standards as mentioned below, which have no significant financial impact on the condensed interim financial statements of the Company. These condensed interim financial statements should there be read in conjunction with the audited financial statements for the year ended December 31, 2016. The results of the interim period are not indicative of the results of the full statutory financial year.

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the three month period ended 31 March 2017

2 BASIS OF PREPARATION (continued)

2.6 Standards, interpretations and amendments to existing standards (continued)

New IFRS, International Financial Reporting and Interpretations Committee's interpretations ("IFRIC") and amendments thereof, adopted by the Company (Continued)

- **Amendments to IAS 7, 'Statement of Cashflows' disclosure initiative**
Amendments to IAS 7, 'Statement of Cashflows' on disclosure initiative, effective January 1, 2017. These amendments introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from the financing activities.
- **Amendments to IAS 12, 'Income taxes' on 'Recognition of deferred tax assets for unrealized losses'**

Amendments to IAS 12, 'Income taxes' on Recognition of deferred tax assets for unrealized losses, effective January 1, 2017. This amendment clarify how to account for deferred tax assets related to debt instruments measured at fair value.
- **Annual improvements 2014 - 2016**
Amendments to IFRS 12 on disclosure of interest in other entities, effective January 1, 2017. This amendment clarifies the scope of IFRS 12 by specifying that its disclosure requirements apply to an entity's interests irrespective of whether they are classified as held for sale or as discontinued operations in accordance with IFRS 5.

Standards, interpretations and amendments to published standards that will be effective for the periods commencing after January 1, 2018 and have not been early adopted by the Company

The Company's management decided not to choose the early adoption of the following new and amended standards and interpretations issued which will become effective for the period commencing after January 1, 2018:

- **IFRS 9 'Financial Instruments'**
The new standard for financial instruments (IFRS 9) introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:
 - the classification and measurement of the Company's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed;
 - an expected credit loss-based impairment will need to be recognized on the Company's receivables, unless classified as at fair value through profit or loss in accordance with the new criteria;
 - if the Company continues to elect the fair value option for certain financial liabilities, fair value movements will be presented in statement of income and other comprehensive income to the extent those changes relate to the Company's own credit risk; and
 - IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.
- **IFRS 16 'Leases'**
IFRS 16 will replace IAS 17 and three related Interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability.

IFRS 16 is effective from periods beginning on or after 1 January 2019. This will not have a significant impact as the Company does not enter in significant lease transactions.

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the three month period ended 31 March 2017

2 BASIS OF PREPARATION (continued)

2.6 Standards, interpretations and amendments to existing standards (continued)

Standards, interpretations and amendments to published standards that will be effective for the periods commencing after January 1, 2018 and have not been early adopted by the Company (continued)

- IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018 and is not expected to affect the Company materially.

- Amendments to IFRIC 22, 'Foreign currency transactions and advance consideration'

IFRIC 22, 'Foreign currency transactions and advance consideration' effective January 1, 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency.

- Annual improvements 2014 - 2016

It include changes to

- IFRS 1, 'First time adoption of IFRS'
- IAS 28, 'Investments in associates and joint ventures'.

- Amendments to IFRS 1, 'First time adoption of IFRS' 'Deletion of short-term exemptions for first time adopters'

Amendments to IFRS 1, 'First time adoption of IFRS' on deletion of short-term exemptions for first time adopters, effective January 1, 2018. This amendment deletes a number of short-term exemptions as the reliefs provided earlier are no longer available or because they were relevant for reporting periods that have now passed.

- Amendments to IAS 28, 'Investments in Associates and Joint ventures'

Amendments to IAS 28 on investment in associates and joint ventures, effective January 1, 2018. This amendment clarifies that a qualifying entity is able to choose between applying the equity method or measuring an investment in associate or joint venture at fair value through profit or loss, separately for each associate or joint venture at initial recognition of the associate or joint venture.

Similar clarifications have been made for a reporting entity that is not an investment entity and that has an associate or a joint venture that is an investment entity. IAS 28 permits such a reporting entity the choice to retain the fair value measurements used by that investment entity associate or joint venture when applying the equity method. The amendments also clarify that this choice is also made separately for each investment in an associate or joint venture that is an investment entity, at the later of the date on which;

- Amendments to IAS 28, 'Investments in Associates and Joint ventures' (continued)

- a) the investment entity associate or joint venture is initially recognized.
- b) the associate or joint venture becomes an investment entity and;
- c) the investment entity associate or joint venture first becomes a parent.

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the three month period ended 31 March 2017

2 BASIS OF PREPARATION (continued)

Standards, interpretations and amendments to published standards that will be effective for the periods commencing after January 1, 2018 and have not been early adopted by the Company (continued)

- **Amendments to IFRS 2, 'Share based payment' on 'how to account for certain types of share based payment transactions'**

Amendments to IFRS 2, 'Share based payment' on how to account for certain types of share based payment transactions, effective January 1, 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share based payment and pay that amount to the tax

- **Amendments to IFRS 4, 'Insurance contracts' regarding the implementation on IFRS 9 'Financial instruments'**

Amendments to IFRS 4, 'Insurance contracts' regarding the implementation on IFRS 9 'Financial instruments', effective January 1, 2018. This amendment introduces two approaches: an overlay approach and a deferral approach. The amended standard will give all companies that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instrument standard - IAS 39 "Financial instruments".

- **Amendments to IAS 40, 'Investment property' relating to transfers of investment property**

Amendments to IAS 40, 'Investment property' relating to transfers of investment property, effective January 1, 2018. This amendment clarifies that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has a changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

3 CASH AND CASH EQUIVALENTS

	31 March 2017 (Unaudited) SR' 000	31 December 2016 (Audited) SR'000
<i>Insurance operations</i>		
Cash in hand	45	45
Cash at bank – current accounts	<u>10,366</u>	<u>4,263</u>
	<u>10,411</u>	<u>4,308</u>

Cash at bank – Insurance Operations includes an amount of SR 9.07 million (2016: SR 4.3 million) held with Alinma Bank, a related party.

Shareholders' operations

Cash at bank – current accounts	51,534	9,567
Short-term Murabaha deposits	-	126,435
	<u>51,534</u>	<u>136,002</u>

Cash at banks – Shareholders' Operations includes an amount of SR 51.52 Million (2016: SR 8.17 million) held with Alinma Bank, a related party.

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4 MURABAHA DEPOSITS

Murabaha deposits represent deposits with local banks that have investment grade credit ratings and have an original maturity of more than three months from the date of acquisition, yielding an average profit rate of 2.20% (2016: Nil) per annum.

5 PREMIUMS AND REINSURANCE RECEIVABLES, NET

	<i>31 March 2017 (Unaudited) SR' 000</i>	<i>31 December 2016 (Audited) SR'000</i>
Premiums receivable	104,960	61,627
Premiums receivable from related party (note 11)	4,334	5,745
Reinsurance receivables	142,547	131,955
	<u>251,841</u>	<u>199,327</u>
Less: allowance for doubtful receivables	(6,677)	(5,407)
	<u>245,164</u>	<u>193,920</u>

6 INVESTMENTS

(i) Shareholders' Operations

	<i>31 March 2017 (Unaudited) SR' 000</i>	<i>31 December 2016 (Audited) SR'000</i>
Investments		
Available for sale investment	1,923	1,923
Investments at fair value through income statement	57,372	83,379
Investments held to maturity	14,263	14,448
	<u>73,558</u>	<u>99,750</u>

This represents investment in Najam for Insurance Services Company (classified as available for sale), equity shares, Shari'ah compliant mutual funds, discretionary portfolios and real estate fund (classified as investment at fair value through income statement "FVTIS") and sukuk (classified as held to maturity investments).

The movement during the period is as follows:

	<i>31 March 2017 (Unaudited) SR' 000</i>	<i>31 December 2016 (Audited) SR'000</i>
Available for sale investment		
Balance at the beginning and end of the period / year	<u>1,923</u>	<u>1,923</u>

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6 INVESTMENTS (continued)

(i) Shareholders' Operations (continued)

	<i>31 March 2017 (Unaudited) SR' 000</i>	<i>31 December 2016 (Audited) SR'000</i>
<i>Investments at fair value through income statement</i>		
Balance at the beginning of the period / year	83,379	115,802
Purchased during the period / year	35,155	50,937
Sold during the period / year	(61,000)	(84,860)
Realized gain / (loss) during the period / year	82	(12)
Unrealized (loss) / gain during the period / year	(244)	1,512
Balance at the end of the period / year	<u>57,372</u>	<u>83,379</u>

	<i>31 March 2017 (Unaudited) SR' 000</i>	<i>31 December 2016 (Audited) SR'000</i>
<i>Investments held to maturity</i>		
Balance at the beginning of the period / year	14,448	-
Purchased during the period / year	-	15,000
Redeemed during the period / year	(185)	(552)
Balance at the end of the period / year	<u>14,263</u>	<u>14,448</u>

Investments held to maturity have a tenure of ten years with quarterly partial redemptions, yielding an average profit rate of SIBOR (3M) + 2.125% [2016: SIBOR (3M) + 2.125%] per annum.

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 balances payable, 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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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 March 2017 (Unaudited)	Level 1	Level 2	Level 3	Total
	SR'000	SR'000	SR'000	SR'000
Available for sale investment*				
- Investment in unquoted equity	-	-	1,923	1,923
Fair value through income statement				
- Investment in multi assets mutual funds, equity shares, discretionary portfolios and real estate fund	57,372	-	-	57,372
Investments held to maturity				
- Sukuk	-	14,263	-	14,263
Total	57,372	14,263	1,923	73,558

Shareholders' Operations

As at 31 December 2016 (Audited)	Level 1	Level 2	Level 3	Total
	SR'000	SR'000	SR'000	SR'000
Available for sale investment*				
- Investment in unquoted equity	-	-	1,923	1,923
Fair value through income statement				
- Investment in multi assets mutual funds, equity shares and discretionary portfolios	83,379	-	-	83,379
Investments held to maturity				
- Sukuk	-	14,448	-	14,448
Total	83,379	14,448	1,923	99,750

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

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

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7 CLAIMS	Gross SR'000	Reinsurers' share SR'000	Net SR'000
As at 31 March 2017 (Unaudited)			
Claims reported	52,285	(38,001)	14,284
IBNR and other reserves	75,203	(47,414)	27,789
	<u>127,488</u>	<u>(85,415)</u>	<u>42,073</u>
Claims paid during the three month period ended 31 March 2017	89,786	(67,609)	22,177
As at 31 December 2016 (Audited)			
Claims reported	111,998	(91,306)	20,692
IBNR and other reserves	71,461	(46,072)	25,309
	<u>183,459</u>	<u>(137,378)</u>	<u>46,081</u>
Claims incurred during the three month period ended 31 March 2017 (Unaudited)	<u>33,815</u>	<u>(15,646)</u>	<u>18,169</u>
As at 31 March 2016 (Unaudited)			
Claims reported	41,254	(27,375)	13,879
IBNR and other reserves	50,036	(31,996)	18,040
	<u>91,290</u>	<u>(59,371)</u>	<u>31,919</u>
Claims paid during the three month period ended 31 March 2016	42,766	(30,910)	11,856
As at 31 December 2015 (Audited)			
Claims reported	43,734	(35,117)	8,617
IBNR and other reserves	42,884	(26,539)	16,345
	<u>86,618</u>	<u>(61,656)</u>	<u>24,962</u>
Claims incurred during the three month period ended 31 March 2016 (Unaudited)	<u>47,438</u>	<u>(28,625)</u>	<u>18,813</u>

The Company has maintained a provision in respect of premium deficiency amounting to SR 3.5 million (2016: SR 3.5 million) for Motor businesses. The Company created this provision based on the assumption that the unearned premiums for motor business will not be sufficient to provide for the expected claims and other attributable expenses related to the unexpired periods of the policies in force at the statement of financial position date.

8 ZAKAT AND INCOME TAX

Zakat

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

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

	31 March 2017 (Unaudited) SR' 000	31 December 2016 (Audited) SR'000
Balance at the beginning of the period / year	4,200	1,069
Zakat charge for the period / year	952	3,835
Zakat paid during the period / year	-	(687)
Advance tax paid during the period / year	-	(17)
Balance at the end of the period / year	<u>5,152</u>	<u>4,200</u>

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8 ZAKAT AND INCOME TAX (continued)

The Company has filed its Zakat returns with the General Authority for Zakat and Tax ("GAZT") for the period from 9 June 2012 to 31 December 2013 and for the year 2014 and 2015, and has obtained limited certificates for the years 2013, 2014 and 2015. However, final assessments have not yet been made by the GAZT.

Break down of Company's shareholding

Percentage of Shareholdings subject to Zakat	71.25%
Percentage of Shareholdings subject to Income Tax	28.75%

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

The authorized, issued and paid-up share capital of the Company is SR 450 million as at 31 March 2017 (2016: SR 450 million) consisting of 45 million shares (2016: 45 million shares) of SR 10 each.

On 15th February 2017, the board of directors have recommended to the shareholders to reduce the Company's share capital from SR 450,000,000 to SR 300,000,000 through writing off accumulated losses of SR 150,000,000. Due to the capital reduction there is no effect on the Company's financial obligations. The proposed capital reduction has been approved by the regulatory bodies and subsequent to the period end the Company has obtained approval from its shareholders' in the General Assembly held on May 10, 2017.

10 RELATED PARTY TRANSACTIONS AND BALANCES

In the ordinary course of business, the Company transacts with related parties. Transactions with related parties are carried out on an arm's length basis.

- 10.1 In addition to the disclosure in note 3 and 5, the following are the details of major related party transactions during the period and the related balances at the end of the period:

Nature of transaction	Related party	Three months period ended 31 March 2017	Three months period ended 31 March 2016	Balance as at 31 March 2017	Balance as at 31 December 2016
		SR'000	SR'000	SR'000	SR'000
		<u>Unaudited</u>			<u>Audited</u>
		<u>Amount of transactions / balances</u>			
Insurance premiums received / receivable	Shareholder	5,836	6,358	4,334	5,745
Reinsurance premiums paid / payable	Shareholder	569	1,140	5,452	3,467
Claims paid net of recoveries	Shareholder	6,424	2,376	269	(33)
Reinsurance commission	Shareholder	135	284	-	-
Agency commission	Other related party	71	127	134	139
Investments	Other related party	636	35,000	52,607	79,508
General and administrative expenses	Other related party	526	90	739	71
Bank balance	Shareholder	-	-	60,683	13,820

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10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

10.2 Information relating to key management personnel:

	<i>Three months period ended 31 March 2017 SR'000 -----Unaudited-----</i>	<i>Three months period ended 31 March 2016 SR'000 -----Unaudited-----</i>
Short-term benefits	<u>1,196</u>	<u>1,519</u>
Long-term benefits	<u>127</u>	<u>65</u>

10.3 Board and sub-committee related expenses:

	<i>Three months period ended 31 March 2017 SR'000 -----Unaudited-----</i>	<i>Three months period ended 31 March 2016 SR'000 -----Unaudited-----</i>
Board of directors' remuneration	<u>255</u>	<u>255</u>
Board and sub-committees attendance fees	<u>123</u>	<u>123</u>

11 CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 March 2017 and 31 December 2016, 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, protection and savings and medical based on the Company's management and internal reporting structure.

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

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

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

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.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

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12 SEGMENT REPORTING (continued)

For the three months period ended 31 March 2017 (Unaudited)

	Fire	Marine	General accident	Engineering	Motor	Protection and savings	Medical	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
REVENUES								
Gross written premiums	11,584	12,011	4,438	1,770	67,573	6,392	-	103,768
Reinsurance premiums ceded	(10,678)	(11,092)	(2,525)	(1,637)	(1,630)	(3,147)	-	(30,709)
Excess of loss expenses	(145)	(253)	(301)	(85)	(675)	-	-	(1,459)
Net written premiums	761	666	1,612	48	65,268	3,245	-	71,600
Net change in unearned premiums	(444)	(58)	(850)	(125)	(40,572)	(66)	1,762	(40,353)
Net earned premiums	317	608	762	(77)	24,696	3,179	1,762	31,247
Reinsurance commission earned and other income	2,288	3,623	823	348	49	-	-	7,131
Total insurance revenues	2,605	4,231	1,585	271	24,745	3,179	1,762	38,378
CLAIMS AND EXPENSES								
Net claims incurred	299	(1,470)	(4)	9	(15,589)	(58)	(1,356)	(18,169)
Change in unit linked reserves	-	-	-	-	-	(574)	-	(574)
Policy acquisition costs	(1,032)	(651)	(339)	(147)	(3,070)	(165)	(74)	(5,478)
Inspection and supervision fees	(5)	(10)	(13)	(1)	(406)	(43)	(29)	(507)
Other underwriting income	-	-	-	-	955	-	-	955
Surrenders	-	-	-	-	-	(52)	-	(52)
Net underwriting results	1,867	2,100	1,229	132	6,635	2,287	303	14,553
Investment income	-	-	-	-	-	-	-	15
General and administrative expenses	-	-	-	-	-	-	-	(12,570)
Net income from insurance operations								1,998

For the three months period ended 31 March 2016 (Unaudited)

	Fire	Marine	General accident	Engineering	Motor	Protection and savings	Medical	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
REVENUES								
Gross written premiums	22,321	9,072	7,803	1,173	115,604	7,912	-	163,885
Reinsurance premiums ceded	(22,211)	(9,117)	(6,608)	(1,084)	(54,514)	(4,937)	-	(98,471)
Excess of loss expenses	(12)	(194)	(116)	(28)	(433)	-	-	(783)
Net written premiums	98	(239)	1,079	61	60,657	2,975	-	64,631
Net change in unearned premiums	(36)	644	604	-	(41,804)	(254)	-	(40,846)
Net earned premiums	62	405	1,683	61	18,853	2,721	-	23,785
Reinsurance commission earned and other income	2,284	2,583	543	257	251	-	-	5,918
Total insurance revenues	2,346	2,988	2,226	318	19,104	2,721	-	29,703
CLAIMS AND EXPENSES								
Net claims incurred	291	(1,249)	(75)	13	(17,341)	(452)	-	(18,813)
Change in unit linked reserves	-	-	-	-	-	(141)	-	(141)
Policy acquisition costs	(635)	(472)	(194)	(117)	(2,129)	(146)	-	(3,693)
Inspection and supervision fees	(24)	(15)	(11)	(3)	(388)	(39)	-	(480)
Other underwriting income	-	-	-	-	601	-	-	601
Surrenders	-	-	-	-	-	(1)	-	(1)
Net underwriting results	1,978	1,252	1,946	211	(153)	1,942	-	7,176
Investment income	-	-	-	-	-	-	-	2
General and administrative expenses	-	-	-	-	-	-	-	(13,675)
Net deficit from insurance operations								(6,497)

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12 SEGMENT REPORTING (continued)

As at 31 March 2017 (Unaudited)								
	Fire	Marine	General accident	Engineering	Motor	Protection and savings	Medical	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
ASSETS								
Reinsurers' share of outstanding claims	28,666	25,063	6,094	5,264	13,727	6,601	-	85,415
Reinsurers' share of unearned premiums	12,485	5,341	3,106	4,392	3,167	121	-	28,612
Deferred policy acquisition costs	1,456	544	519	457	6,208	22	25	9,231
Unit linked investments	-	-	-	-	-	4,045	-	4,045
Unallocated assets								272,586
Total assets								399,889
LIABILITIES								
Gross outstanding claims	29,650	27,704	7,403	5,631	43,713	0,251	5,050	127,190
Gross unearned premiums	13,378	6,031	5,522	4,918	73,284	219	587	103,939
Unearned insurance commission	2,569	1,206	1,171	846	102	-	-	5,894
Unit linked liabilities	-	-	-	-	-	4,045	-	4,045
Unallocated liabilities								158,521
Total liabilities								399,889

As at 31 December 2016 (Audited)								
	Fire	Marine	General accident	Engineering	Motor	Protection and savings	Medical	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
ASSETS								
Reinsurers' share of outstanding claims	66,834	25,753	6,148	4,650	22,336	11,657	-	137,378
Reinsurers' share of unearned premiums	12,078	11,095	2,944	4,527	9,734	51	-	40,429
Deferred policy acquisition costs	1268	710	419	334	2602	6	99	5,438
Unit linked investments	-	-	-	-	-	3,471	-	3,471
Unallocated assets								209,746
Total assets								396,462
LIABILITIES								
Gross outstanding claims	68,556	27,305	7,511	5,039	57,044	14,618	3,386	183,459
Gross unearned premiums	12,527	11,727	4,509	4,927	39,282	82	2,349	75,403
Unearned Reinsurance commission	2,572	2,390	1,069	835	137	-	-	7,003
Unit linked liabilities	-	-	-	-	-	3,471	-	3,471
Unallocated liabilities								127,126
Total liabilities								396,462

13 CHANGE IN ACCOUNTING POLICY

Effective 1 January 2017, based on the Circular issued by SAMA in relation to the 'Accounting of Zakat and Income tax', the Company amended its accounting policy to charge zakat directly to retained earnings/accumulated losses instead of a charge within interim statement of shareholders' comprehensive income.

The Zakat charge for Q1 2016 was nil, as a result the above change in accounting policy has no impact on interim statements of financial position, shareholders' comprehensive income, changes in shareholders equity and cash flows for any of the period presented.

14 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors on 11 May, 2017G corresponding to 15 Sha'aban, 1438H.