

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

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

FOR THE YEAR ENDED 31 DECEMBER 2014

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

**FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014**

INDEX	PAGE
Auditors' report	1
Statement of financial position	2 – 3
Statement of insurance operations	4
Statement of shareholders' operations	5
Statement of shareholders' comprehensive income	6
Statement of changes in shareholders' equity	7
Statement of insurance operations' cash flows	8
Statement of shareholders' cash flows	9
Notes to the financial statements	10 – 41

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
ALINMA TOKIO MARINE COMPANY (A SAUDI JOINT STOCK COMPANY)**

Scope of audit

We have audited the accompanying statement of financial position of Alinma Tokio Marine Company – a Saudi Joint Stock Company (“the Company”) as at 31 December 2014, and the related statements of insurance operations, shareholders’ operations, shareholders’ comprehensive income, changes in shareholders’ equity, insurance operations’ cash flows and shareholders’ cash flows for the year then ended and the notes from 1 to 25 which form an integral part of these financial statements. These financial statements are the responsibility of the Company’s management and have been prepared by them in accordance with International Financial Reporting Standards, the provisions of Article 123 of the Regulations for Companies in the Kingdom of Saudi Arabia and the Company’s By-laws and submitted to us together with all the information and explanations which we required.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the financial statements taken as a whole:

- present fairly, in all material respects, the financial position of the Company as at 31 December 2014, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and
- comply with the requirements of the Regulations for Companies in the Kingdom of Saudi Arabia and the Company’s By-laws in so far as they affect the preparation and presentation of the financial statements.

Emphasis of matters

We draw attention to the following:

1. These financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia as issued by the Saudi Organisation for Certified Public Accountants.
2. Note 2 to the financial statements sets out the fact that the Board of Directors of the Company recommended to the shareholders of the Company, not to pursue the transfer of insurance portfolios which were disclosed in the prospectus issued for initial public offering by the Company. However, with active support from Tokio Marine Group, the Company has acquired a historical business contributing positively towards the financial performance. The Company is in the process of seeking necessary approvals from the shareholders, SAMA and other regulatory authorities in the Kingdom of Saudi Arabia to complete the legal formalities.

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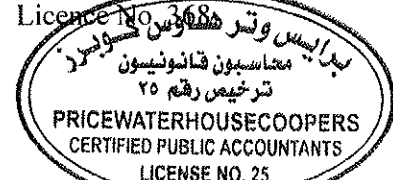
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4 Jumada Al-Awwal 1436H
23 February 2015

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	<i>Notes</i>	31 December 2014	31 December 2013
		SR'000	SR'000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	5	19,697	8,924
Premiums and reinsurance receivables, net	6	28,505	16,750
Reinsurers' share of outstanding claims	11	17,584	11,958
Reinsurers' share of unearned premiums	13	15,507	8,826
Deferred policy acquisition costs		1,113	1,218
Due from shareholders' operations		-	9,223
Prepayments and other assets	7	1,344	3,374
Fixed assets	9	5,917	4,449
TOTAL INSURANCE OPERATIONS' ASSETS		89,667	64,722
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	5	37,147	51,431
Investments	8	34,210	45,383
Murabaha deposits		-	15,410
Due from a related party	19	55	117
Due from insurance operations		502	-
Prepayments and other assets	7	12	-
Statutory deposit	10	20,000	20,000
TOTAL SHAREHOLDERS' ASSETS		91,926	132,341
TOTAL ASSETS		181,593	197,063

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 25 form an integral part of these financial statements.

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	<i>Notes</i>	31 December 2014 SR'000	31 December 2013 SR'000
INSURANCE OPERATIONS' LIABILITIES			
Gross outstanding claims	11	36,089	19,138
Reinsurance balances payable		10,433	12,253
Gross unearned premiums	13	24,281	18,066
Unearned reinsurance commission		3,406	1,665
Due to shareholders' operations		502	-
Accrued expenses and other liabilities	14	13,386	11,985
Employees' end of service benefits		1,570	1,615
TOTAL INSURANCE OPERATIONS' LIABILITIES		89,667	64,722
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Accrued expenses and other liabilities	14	2,016	2,534
Due to insurance operations		-	9,223
Zakat and income tax payable	18	1,497	1,809
Total shareholders' liabilities		3,513	13,566
SHAREHOLDERS' EQUITY			
Share capital	15	200,000	200,000
Accumulated losses		(111,587)	(81,225)
Total shareholders' equity		88,413	118,775
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		91,926	132,341
TOTAL INSURANCE OPERATIONS' LIABILITIES, SHAREHOLDERS' LIABILITIES AND EQUITY		181,593	197,063

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 25 form an integral part of these financial statements.

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

STATEMENT OF INSURANCE OPERATIONS

For the year ended 31 December 2014

		For the year ended 31 December 2014	For the period from 9 June 2012 to 31 December 2013
	<i>Notes</i>	SR '000	SR '000
REVENUES			
Gross written premiums	12	92,585	51,252
Reinsurance premiums ceded	12	(55,893)	(28,491)
Excess of loss premiums	12	(4,144)	(4,824)
Net written premiums		32,548	17,937
Changes in gross unearned premiums		(6,215)	(18,066)
Changes in reinsurance share of unearned premiums		6,681	8,826
Net change in unearned premiums		466	(9,240)
Net earned premiums	12	33,014	8,697
Reinsurance commission earned and other income		8,156	2,662
Total insurance revenues		41,170	11,359
CLAIMS AND EXPENSES			
Gross claims paid	11	(44,878)	(56,132)
Reinsurers' share of claims paid	11	23,069	50,843
Net claims paid		(21,809)	(5,289)
Changes in gross outstanding claims		(16,951)	(19,138)
Changes in reinsurers' share of outstanding claims		5,626	11,958
Net outstanding claims	11	(11,325)	(7,180)
Net claims incurred		(33,134)	(12,469)
Policy acquisition costs		(2,843)	(691)
Inspection and supervision fees		(340)	(241)
General and administrative expenses	16	(32,429)	(38,738)
Total claims and expenses		(68,746)	(52,139)
Net deficit for the year / period from insurance operations		(27,576)	(40,780)
Appropriation of net deficit transferred to the shareholders' operations	3	27,576	40,780
Net result for the year / period from insurance operations		-	-


Director


Chief Financial Officer


Chief Executive Officer

The accompanying notes 1 to 25 form an integral part of these financial statements.

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

STATEMENT OF SHAREHOLDERS' OPERATIONS

For the year ended 31 December 2014

		For the year ended 31 December 2014	For the period from 9 June 2012 to 31 December 2013
	<i>Notes</i>	SR '000	SR '000
INCOME			
Investment income and other income		1,145	2,529
EXPENSES			
Net deficit transferred from insurance operations	3	(27,576)	(40,780)
General and administrative expenses	16	(2,951)	(10,104)
Pre-incorporation expenses, net		-	(24,695)
Total expenses		(30,527)	(75,579)
Net loss for the year / period		(29,382)	(73,050)
Loss per share (SR)	22	(1.469)	(3.653)

Director

Chief Financial Officer

Chief Executive Officer


The accompanying notes 1 to 25 form an integral part of these financial statements.

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

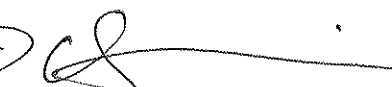
STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME

For the year ended 31 December 2014

		For the year ended 31 December 2014	For the period from 9 June 2012 to 31 December 2013
	Note	SR '000	SR '000
Net loss for the year / period		(29,382)	(73,050)
Other comprehensive expense			
<i>Items that may not be reclassified to statement of shareholders' operations in subsequent periods :</i>			
Zakat for the year / period	18	(980)	(2,233)
Total comprehensive loss for the year / period		(30,362)	(75,283)


 Director


 Chief Financial Officer


 Chief Executive Officer

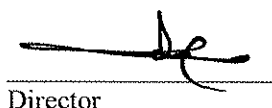
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ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2014

	<i>Note</i>	Share capital SR '000	Accumulated losses SR '000	Total SR '000
2014				
Balance as at 1 January 2014		200,000	(81,225)	118,775
Total comprehensive loss for the year				
• Net loss for the year ended 31 December 2014		-	(29,382)	(29,382)
• Zakat for the year	18		(980)	(980)
Balance as at 31 December 2014		200,000	(111,587)	88,413
2013				
Balance as at 9 June 2012		200,000	-	200,000
Transaction cost relating to issuance of share capital		-	(5,942)	(5,942)
Total comprehensive loss for the period				
• Net loss for the period from 9 June 2012 to 31 December 2013		-	(73,050)	(73,050)
• Zakat for the period	18	-	(2,233)	(2,233)
Balance as at 31 December 2013		200,000	(81,225)	118,775



Director



Chief Financial Officer



Chief Executive Officer

The accompanying notes 1 to 25 form an integral part of these financial statements.

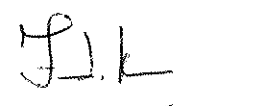
**ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the year ended 31 December 2014

		For the year ended 31 December 2014	For the period from 9 June 2012 to 31 December 2013
	<i>Notes</i>	SR '000	SR '000
OPERATING ACTIVITIES			
Net result for the year / period from insurance operations		-	-
Adjustments for:			
Allowance for doubtful receivables	6	1,319	1,172
Loss on disposal of fixed assets		-	2
Depreciation	9	1,782	2,159
Employees' end of service benefits, net		(45)	1,615
Income before changes in operating assets and liabilities		3,056	4,948
<i>Changes in operating assets and liabilities:</i>			
<i>Operating assets:</i>			
Premiums and reinsurance receivables		(13,074)	(17,922)
Reinsurers' share of outstanding claims		(5,626)	(11,958)
Reinsurers' share of unearned premiums		(6,681)	(8,826)
Deferred policy acquisition cost		105	(1,218)
Due to / (from) shareholders' operations		9,725	(9,223)
Prepayments and other assets		2,030	(3,374)
<i>Operating liabilities:</i>			
Gross outstanding claims		16,951	19,138
Reinsurance balances payable		(1,820)	12,253
Gross unearned premiums		6,215	18,066
Unearned reinsurance commission		1,741	1,665
Accrued expenses and other liabilities		1,401	11,985
Net cash generated from operating activities		14,023	15,534
INVESTING ACTIVITIES			
Purchase of fixed assets	9	(3,250)	(6,611)
Proceeds from disposal of fixed assets		-	1
Net cash used in investing activities		(3,250)	(6,610)
Net change in cash and cash equivalents		10,773	8,924
Cash and cash equivalents at the beginning of the year / period		8,924	-
Cash and cash equivalents at the end of the year / period	5	19,697	8,924


Director


Chief Financial Officer


Chief Executive Officer

The accompanying notes 1 to 25 form an integral part of these financial statement.

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the year ended 31 December 2014

	Notes	For the year ended 31 December 2014	For the period from 9 June 2012 to 31 December 2013
		SR '000	SR '000
OPERATING ACTIVITIES			
Net loss for the year		(29,382)	(73,050)
Adjustment for:			
Realized gain on held for trading investments	17	(594)	(847)
Unrealized gain on held for trading investments	17	(136)	(191)
Loss before changes in operating assets and liabilities		(30,112)	(74,088)
<i>Changes in operating assets and liabilities:</i>			
<i>Operating assets:</i>			
Due from a related party		62	(117)
Due (from) / to insurance operations		(9,725)	9,223
Prepayments and other assets		(12)	(26)
Statutory deposit		-	(20,000)
<i>Operating liabilities</i>			
Accrued expenses and other liabilities		(518)	2,534
Zakat paid	18	(1,292)	(424)
Net cash used in operating activities		(41,597)	(82,898)
INVESTING ACTIVITIES			
Purchase of investments		(182,097)	(294,410)
Placement of murabaha deposits		-	(30,384)
Proceeds from maturity of murabaha deposits		15,410	15,000
Proceeds from sale of investments		194,000	250,065
Net cash generated from / (used) in investing activities		27,313	(59,729)
FINANCING ACTIVITIES			
Issue of share capital		-	200,000
Transaction costs on issuance of share capital		-	(5,942)
Net cash generated from financing activities		-	194,058
Net change in cash and cash equivalents		(14,284)	51,431
Cash and cash equivalents at the beginning of the year / period		51,431	-
Cash and cash equivalents at the end of the year / period	5	37,147	51,431

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 25 form an integral part of these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 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 1010342527 dated 28 Rajab 1433H (corresponding to 18 June 2012). The Company is listed on the Saudi Stock Exchange ("Tadawul") since 24 June 2012. The Registered Office of the Company is situated at Al-Anoud Tower 2, P.O. Box 643, Riyadh 11421, Kingdom of Saudi Arabia.

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. 25/M, dated 3 Jumada-Al Thani 1430H (corresponding to 27 June 2009), pursuant to the Council of Ministers' Resolution No. 140 dated 2 Jumada-Al Thani 1430H (corresponding to 26 June 2009).

The objective of the Company is to engage in cooperative insurance operations and related activities, including reinsurance, agencies, representation, correspondence and intermediary activities in the Kingdom of Saudi Arabia in accordance with its Articles of Association and applicable regulations in the Kingdom of Saudi Arabia.

2. INSURANCE PORTFOLIOS AND ASSET TRANSFER AGREEMENTS

After careful consideration, the Board of Directors of the Company recommended to the shareholders' of the Company, not to pursue the transfer of the insurance portfolios of the Arab Eastern Insurance Company ("AEIC") and Tokio Marine & Nichido Fire Insurance Co. Limited ("TMNF"). These transfers were initially planned and disclosed in the prospectus issued for initial public offering of the Company. 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 financial statements are prepared for the year ended 31 December 2014. The comparative financial information presented in these financial statements relates to the period from 9 June 2012 to 31 December 2013, and accordingly are not comparable.

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standard Board, the provisions of Regulations for Companies in the Kingdom of Saudi Arabia and the Company's By-laws.

Basis of measurement

These financial statements have been prepared under the historical cost convention except for investments classified as 'available for sale' and 'held for trading' carried at fair value.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. BASIS OF PREPARATION (continued)

Basis of presentation

As required by the Saudi Arabian Insurance Regulations issued by SAMA, the Company maintains separate books of accounts for the insurance operations' and shareholders' operations and presents the financial statements accordingly. The physical custody of all assets related to the insurance operations' and shareholders' operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective books of accounts. The basis of allocation of expenses from joint operations is determined by management and the Board of Directors.

In accordance with Article 70 of the SAMA Implementing Regulations, the Company must distribute, subject to the approval of SAMA, its annual net policyholders' surplus directly to policyholders at a time, and according to criteria, as set by its Board of Directors, provided the customer contract (policy) is active and paid-up to date at the time of settlement of the cooperative distribution amount. Losses incurred by insurance operations are absorbed by shareholders' operations.

Functional and presentation currency

The financial statements are expressed in Saudi Arabian Riyals (SR), which is the functional currency of the Company. All financial information presented in SR has been rounded off to the nearest thousand, unless otherwise stated.

Critical accounting estimates and judgments

Estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of assets or liabilities affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Technical reserve for insurance activities

The estimation of amounts due to policyholders and third parties arising from claims made under insurance contracts require judgment by management. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

Incurred but not reported claims

The Company estimates claims based on its experience of its insurance portfolio. Claims requiring court or arbitration decisions, if any, are estimated individually. Management reviews its provision for claims incurred, and claims incurred but not reported, on a monthly basis. Any difference between the provision at the statement of financial position date and settlements and provisions in the following year is included in the statement of insurance operations and accumulated surplus for that year.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. BASIS OF PREPARATION (continued)

Incurred but not reported claims (continued)

The provision for outstanding claims, as at 31 December, is also verified and certified by the Company's appointed external actuary. The actuary calculates the claims reserves using the methodology that involves blending of the following two reserving methods.

- The basic chain ladder method
- Ultimate loss ratio method

The claims reserves are calculated from the higher of the above two methods. The claims reserves are sensitive to the assumptions made about the number of months used to average the completion factors for the chain ladder method and the ultimate loss ratio assumption.

Premium deficiency reserve

Estimation of premium deficiency for insurance business is highly sensitive to a number of assumptions linked to future events and conditions. It is based on an expected loss ratio for the unexpired portion of the risks for written policies. To arrive at the estimate of the expected loss ratio, the actuary looks at the segment-wise actual claims experience of the Company.

Useful life of fixed assets

The Company's management determines the estimated useful lives of its furniture, fittings, and office equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Fair value of financial instruments

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 to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. BASIS OF PREPARATION (continued)

Level 1: Quoted prices in active markets for the same instrument (i.e., without modification or repackaging);

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

Level 3: valuation techniques for which any significant input is not based on observable market data.

New standards and 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.

- 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;

Standard issued but not yet effective

IFRS 9 Financial Instruments is applicable from January 1, 2018 which provides guidance on the classification and measurement of financial assets and financial liabilities, requirements for derecognition of financial instruments etc. The Company's management is currently assessing the implications of IFRS 9 and the timing of its adoption.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are set out below:

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. It comprise of cash in hand, bank balances and Murabaha deposits with an original maturity of three months or less.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Murabaha deposits

Murabaha deposits with original maturity of more than three months, are initially recognized in the statement of financial position at fair value and are subsequently measured at amortised cost using effective yield method, less any impairment in value.

Impairment and un-collectability of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or a group of financial assets (including reinsurance receivables) may be impaired. If such evidence exists, an impairment loss is recognized in the statement of insurance operations or the statement of shareholders' operations. Impairment is determined as follows:

- For assets carried at fair value i.e. for investments classified as 'available for sale', impairment is the difference between cost and fair value, less any impairment loss recognized in the statement of insurance operations' or the statement of shareholders' operations;
- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:
 - adverse changes in the payment status of issuers or debtors in the Company; or
 - national or local economic conditions at the country of the issuers that correlate with defaults on the assets.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Premiums receivable

Premiums receivable are recognized as a financial asset when the policies are issued and the consideration is receivable. The carrying amount of asset is reduced through the use of an allowance account, and the amount of loss is recognized in the statement of insurance operations. An allowance for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms.

Reinsurance

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets (other than those on outstanding claims) represent balances due from reinsurance companies for claims paid by the Company. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis.

Segment reporting

A segment is a distinguishable component of the Company's portfolio that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments.

Leases

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of insurance operations on a straight-line basis over the term of the lease. Lease incentives are recognized as an integral part of the total lease expense over the term of the lease.

Foreign currencies

Transactions denominated in foreign currencies are recorded in Saudi Riyals (SR) at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to SR at the rate of exchange prevailing at the date of statement of financial position. All differences are taken to the statements of insurance operations and accumulated losses and shareholders' operations. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rate at the date of initial transaction and are not subsequently restated. As the Company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Held for trading investments

Held for trading investments represent investments in short term Murabaha funds which are readily marketable and initially recognised at cost being the fair value and subsequently remeasured at fair value. Fair value is determined by reference to the net asset value (NAV) quoted by the fund manager. The resultant realised and unrealised gains and losses are recognised in the statement of shareholders' operations.

Available-for-sale investments (AFS)

Investments which are classified as available-for-sale are measured at fair value. Available-for-sale investments are those investments that are either designated in this category or not classified in any other category. For an available-for-sale investments, any gain or loss arising from a change in its fair value is recognized directly in other comprehensive income until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired at which time the cumulative gain or loss previously recognised in other comprehensive income is transferred to and recognised in the statement of shareholders' operations for the year.

Fixed assets

Fixed assets are measured at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight line basis over the estimated useful lives of assets. The estimated useful lives of assets for calculation of depreciation are as follows:

	<u>Years</u>
Leasehold improvements	5
Furniture and office equipment	5
Computer equipment	3-5

Residual values, useful lives and the method of calculating depreciation are reviewed annually and adjusted, if appropriate. Impairment reviews take place when events or changes in circumstances indicate that the carrying value may not be recoverable. The depreciation charge for the year is recognised in the statement of insurance operations.

Any gain or loss on disposal of a fixed asset, (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in statement of insurance operations.

Expenditures for repair and maintenance is charged to the statement of insurance operations. Improvements that increase the value or materially extend the life of the related assets are capitalised.

Employees' end of service benefits

The Company provides end of service benefits to its employees. The entitlement to these benefits is usually based upon the employee's length of service and the completion of a minimum service period. Provision is made for amounts payable under the Saudi Arabian labour law applicable to employees' accumulated periods of service at the statement of financial position date. Charge for the year is transferred to the statement of insurance operations.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pre-incorporation expenses

Expenses incurred by the Company during the formation period, the licensing process and related to the Initial Public Offering (IPO) with no future benefits are charged to the statement of shareholders' operations.

Transaction costs

Transaction costs to raise share capital are incremental costs that are directly attributable to the issuance of share capital and are accounted for as a deduction from equity.

Insurance contracts

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk depends upon the probability of occurrence of an insurance event and the magnitude of its potential effect.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk is significantly reduced subsequently.

Liability adequacy test

At each statement of financial position date, the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If such an assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of insurance operations and an unexpired risk provision is made.

The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

Zakat and income tax

Zakat and income tax are provided for in accordance with Saudi Arabian Fiscal Regulations. Zakat is computed on the zakat base of Saudi founding and general public shareholders' while income tax is computed on the non-Saudi founding shareholders share of net adjusted income.

Zakat and income taxes are accrued and charged to other comprehensive income.

Revenue recognition

Gross premiums and commissions are recognised as revenue when the insurance policy is issued. Premiums and commissions are taken into income over the terms of the policies to which they relate on a pro-rata basis.

Unearned premiums and commissions are those proportions of premiums and commissions written in a year that relate to periods of risk after the statement of financial position date. Unearned premiums are calculated on a daily pro-rata basis, except for marine cargo. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums. The unearned portion for marine cargo shall be the premium written during the last three months of the financial year.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into during the year and are recognized in statement of insurance operations from the policy inception date.

Investment income is recognized on an effective yield basis taking account of the principal outstanding and the commission rate applicable. Realized gains or losses on sale of available for sale investments are reported in the related statements of insurance operations or statement of shareholders' comprehensive income. Dividends, commission income and foreign currency gain / loss on AFS investments are recognized at the related statements of insurance operations or statement of shareholders' comprehensive income, as part of the net investment income / loss.

Insurance policyholders are charged for policy administration services, surrenders and other contract fees. These fees are recognized as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over future periods.

Claims

Claims, comprising amounts payable to policyholders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to the statement of insurance operations as incurred. Total outstanding claims comprise the estimated amounts payable, in respect of claims reported to the Company and those not reported at the statement of financial position date.

A provision based on management's judgment is maintained for Incurred But Not Reported ("IBNR") claims at the statement of financial position date.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liabilities simultaneously. Income and expenses are not offset in the statement of insurance operations or in the statement of shareholders' operations unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

Trade date accounting

All regular way purchases and sales of financial assets are initially recognized / derecognized on the trade date (i.e. the date on which the Company becomes a party to the contractual provisions of the instrument). Regular way purchases or sales are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

Deferred acquisition costs

Commission paid to internal sales staff and incremental direct costs incurred in relation to the acquisition and renewal of insurance contracts are capitalised as an intangible asset. The deferred policy acquisition costs are subsequently amortised over the terms of the insurance contracts to which they relate as premiums are earned.

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unearned reinsurance commission

Commission receivable on outwards reinsurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate. Amortisation is recorded in the statement of insurance operations.

5. CASH AND CASH EQUIVALENTS

	31 December 2014	31 December 2013
	SR '000	SR '000
<i>Insurance operations</i>		
Cash in hand	40	42
Cash at banks - current accounts	19,657	8,882
	19,697	8,924
<i>Shareholders' operations</i>		
Cash at bank - current account	37,147	1,431
Short-term Murabaha deposits	-	50,000
	37,147	51,431

Cash at banks include an amount of SR 56.79 million (2013: SR 10.30 million) held with Alinma Bank, a related party (shareholder).

6. PREMIUMS AND REINSURANCE RECEIVABLES, NET

	31 December 2014	31 December 2013
	SR '000	SR '000
<i>Insurance operations</i>		
Premiums receivable – other customers	18,232	11,598
Premiums receivable – related party (<i>note 19</i>)	1,538	1,837
Reinsurance receivables	11,226	4,487
	30,996	17,922
Less: Provision for doubtful receivables	(2,491)	(1,172)
	28,505	16,750

These balances comprise amounts receivable from a number of individual and corporate customers as well as insurance companies and reinsurance companies mainly operating in the Kingdom of Saudi Arabia. Arrangements with reinsurers normally require settlement within a certain mutually agreed period.

The Company classifies balances as 'past due and impaired' on a case-to-case basis. An impairment adjustment is recorded in the statement of insurance operations. It is not the practice of the Company to obtain collateral over receivables.

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. PREMIUMS AND REINSURANCE RECEIVABLES' NET (Continued)

Movement in the allowance for impairment of receivables is as follows:

	For the year ended 31 December 2014	For the period from 9 June 2012 to 31 December 2013
	<u>SR'000</u>	<u>SR'000</u>
Balance at the beginning of the year / period	1,172	-
Provided during the year / period (<i>Note 16</i>)	1,319	1,172
Balance at the end of the year / period	<u>2,491</u>	<u>1,172</u>

The age analysis of premiums and reinsurance receivables arising from insurance contracts is as follows:

	Neither past due nor impaired	Past due but not impaired				Past due and impaired	Total
	<u>SR '000</u>	<u>Up to 3 months SR '000</u>	<u>3 to 6 months SR '000</u>	<u>6 to 12 months SR '000</u>	<u>Above 12 months SR '000</u>	<u>SR '000</u>	<u>SR '000</u>
2014	7,191	12,523	879	3,034	2,062	5,307	30,996
2013	4,012	5,492	3,163	1,026	-	4,229	17,922

7. PREPAYMENTS AND OTHER ASSETS

	31 December 2014	31 December 2013
	<u>SR'000</u>	<u>SR'000</u>
<i>Insurance operations</i>		
Prepayments	1,096	2,775
Other receivables	248	599
	<u>1,344</u>	<u>3,374</u>
<i>Shareholders' operations</i>		
Accrued income	12	-

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

8. INVESTMENTS

Shareholders' operations

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

	31 December 2014	31 December 2013
	SR'000	SR'000
Available-for-sale investment	1,923	1,923
Held for trading investments	32,287	43,460
	34,210	45,383

The movement during the year / period is as follows:

	For the year ended 31 December 2014	For the period from 9 June 2012 to 31 December 2013
	SR'000	SR'000
<i>Available-for-sale investment</i>		
Balance at the beginning of the year / period	1,923	-
Purchased during the period	-	2,423
Sold during the year	-	(500)
Balance at the end of the year / period	1,923	1,923
<i>Held for trading investments</i>		
Balance at the beginning of the year / period	43,460	-
Purchased during the year / period	182,097	291,987
Sold during the year / period	(194,000)	(249,565)
Realised gain during the year / period, net	594	847
Unrealised gain during the year / period	136	191
Balance at the end of the year / period	32,287	43,460

All investments made by the Company are with unrated counterparties.

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

9. FIXED ASSETS

Insurance operations

	31 December 2014				31 December 2013
	<i>Leasehold improvements</i>	<i>Furniture, fittings and office equipment</i>	<i>Computer equipment</i>	<i>Total</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	
<u>Cost</u>					
Balance at the beginning of the year	514	424	5,670	6,608	-
Purchased during the year	1,333	110	1,807	3,250	6,611
Disposals during the year	-	-	-	-	(3)
Balance at the end of the year	<u>1,847</u>	<u>534</u>	<u>7,477</u>	<u>9,858</u>	<u>6,608</u>
<u>Accumulated depreciation</u>					
Balance at the beginning of the year	102	109	1,948	2,159	-
Charge for the year	106	102	1,574	1,782	2,160
Disposals	-	-	-	-	(1)
Balance at the end of the year	<u>208</u>	<u>211</u>	<u>3,522</u>	<u>3,941</u>	<u>2,159</u>
<u>Net book value</u>					
31 December 2014	<u>1,639</u>	<u>323</u>	<u>3,955</u>	<u>5,917</u>	-
31 December 2013	<u>412</u>	<u>315</u>	<u>3,722</u>	<u>4,449</u>	<u>4,449</u>

10. STATUTORY DEPOSIT

	31 December 2014	31 December 2013
	<i>SR'000</i>	<i>SR'000</i>
<i>Shareholders' operations</i>		
Statutory deposit	<u>20,000</u>	<u>20,000</u>

In accordance with the Saudi Arabian Implementing Regulations issued by SAMA, the Company has deposited an amount equivalent to 10% of its paid up share capital in a bank account designated by SAMA.

This is a restricted deposit and cannot be utilized in the operations of the Company.

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

11. OUTSTANDING CLAIMS

a) Incurred claims

<i>For the year ended 31 December 2014</i>				
	<i>Motor</i>	<i>General</i>	<i>Protection and savings</i>	<i>Total</i>
<i>Insurance operations</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Claims paid	17,587	12,126	15,165	44,878
Reinsurers' share of claims paid	-	(10,754)	(12,315)	(23,069)
Net claims paid	17,587	1,372	2,850	21,809
Changes in outstanding claims, IBNR and other reserves	7,351	5,780	3,820	16,951
Changes in reinsurers' share of outstanding claims, IBNR and other reserves	-	(2,453)	(3,173)	(5,626)
Changes in net outstanding claims, IBNR and other reserves	7,351	3,327	647	11,325
Total incurred claims	24,938	4,699	3,497	33,134

General segment includes Marine, Fire, Engineering and general accident.

<i>For the period from 9 June 2012 to 31 December 2013</i>				
	<i>Motor</i>	<i>General</i>	<i>Protection and savings</i>	<i>Total</i>
<i>Insurance operations</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Claims paid	1,315	51,285	3,532	56,132
Reinsurers' share of claims paid	-	(48,017)	(2,826)	(50,843)
Net claims paid	1,315	3,268	706	5,289
Changes in outstanding claims, IBNR and other reserves	3,004	13,726	2,408	19,138
Changes in reinsurers' share of outstanding claims, IBNR and other reserves	-	(10,032)	(1,926)	(11,958)
Changes in net outstanding claims, IBNR and other reserves	3,004	3,694	482	7,180
Total incurred claims	4,319	6,962	1,188	12,469

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

11. OUTSTANDING CLAIMS (continued)

b) Outstanding claims

<i>31 December 2014</i>			
	<i>Gross</i>	<i>Reinsurers'</i>	<i>Net</i>
	<i>SR'000</i>	<i>share</i>	<i>SR'000</i>
		<i>SR'000</i>	<i>SR'000</i>
<i>Insurance operations</i>			
<i>Motor</i>			
- Outstanding claims reserve	3,209	-	3,209
- Incurred but not reported reserve	4,728	-	4,728
- Other reserves	2,418	-	2,418
<i>General</i>			
- Outstanding claims reserve	10,843	(6,464)	4,379
- Incurred but not reported reserves	7,713	(6,021)	1,692
- Other reserves	950	-	950
<i>Protection and savings</i>			
- Outstanding claims reserve	1,678	(1,342)	336
- Incurred but not reported reserve	4,506	(3,757)	749
- Other reserves	44	-	44
Total outstanding claims	36,089	(17,584)	18,505

During the current year, the Company created a provision in respect of premium deficiency, amounting to SR 2.909 million (2013: SR 2.15 million), for Motor, Marine and General accident lines of businesses. The Company created this provision based on the assumption that the unearned premiums for these business lines will not be sufficient to cover the expected claims and other attributable expenses related to the unexpired years of the policies in force at the statement of financial position date.

<i>31 December 2013</i>			
	<i>Gross</i>	<i>Reinsurers'</i>	<i>Net</i>
	<i>SR'000</i>	<i>share</i>	<i>SR'000</i>
		<i>SR'000</i>	<i>SR'000</i>
<i>Insurance operations</i>			
<i>Motor</i>			
- Outstanding claims reserve	883	-	883
- Incurred but not reported reserve	549	-	549
- Other reserves	1,572	-	1,572
<i>General</i>			
- Outstanding claims reserve	8,556	(8,175)	381
- Incurred but not reported reserves	2,357	(1,857)	500
- Other reserves	2,813	-	2,813
<i>Protection and savings</i>			
- Outstanding claims reserve	153	(123)	30
- Incurred but not reported reserve	2,255	(1,803)	452
Total outstanding claims	19,138	(11,958)	7,180

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

12. NET EARNED PREMIUMS

	For the year ended 31 December 2014 SR'000	For the period from 9 June 2012 to 31 Dec 2013 SR'000
<i>Insurance operations</i>		
Gross written premiums	92,585	51,252
Gross unearned premiums at the beginning of the year / period	18,066	-
Gross unearned premiums at the end of the year / period	(24,281)	(18,066)
Gross earned premiums	86,370	33,186
Reinsurance premiums ceded	(55,893)	(28,491)
Excess of loss premiums	(4,144)	(4,824)
	(60,037)	(33,315)
Reinsurers' share of unearned premiums at the beginning of the year / period	(8,826)	-
Reinsurers' share of unearned premiums at the end of the year / period	15,507	8,826
Insurance premiums ceded to reinsurers	(53,356)	(24,489)
Net earned premiums	33,014	8,697

13. MOVEMENT IN UNEARNED PREMIUM RESERVE

	<i>31 December 2014</i>		
	<i>Gross</i>	<i>Reinsurers' share</i>	<i>Net</i>
<i>Insurance operations</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Balance at the beginning of the year	18,066	(8,826)	9,240
Premium written during the year	92,585	(60,037)	32,548
Premium earned during the year	(86,370)	53,356	(33,014)
Balance at the end of the year	24,281	(15,507)	8,774

	<i>31 December 2013</i>		
	<i>Gross</i>	<i>Reinsurers' share</i>	<i>Net</i>
<i>Insurance operations</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Balance at the beginning of the year	-	-	-
Premium written during the period	51,252	(33,315)	17,937
Premium earned during the period	(33,186)	24,489	(8,697)
Balance at the end of the year	18,066	(8,826)	9,240

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

14. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2014 <u>SR'000</u>	31 December 2013 <u>SR'000</u>
<i>Insurance operations</i>		
Accrued expenses	4,342	6,418
Coinsurance commission	4,641	2,871
Brokers commission	2,194	1,549
Payable to local and regulatory authorities	770	814
Payable to policyholders	944	278
Other payables	495	55
	<u>13,386</u>	<u>11,985</u>
<i>Shareholders' operations</i>		
Accrued expenses	<u>2,016</u>	<u>2,534</u>

15. SHARE CAPITAL

15.1 The authorised, issued and paid-up share capital of the Company is SR 200 million as at 31 December 2014 (2013: SR 200 million) consisting of 20 million shares (2013: 20 million shares) of SR 10 each.

15.2 During the year ended 31 December 2014, the Board of directors recommended an increase in the Company's share capital through offering a rights issue with a total value of SR 250 million. The Company has obtained SAMA's approval on 8 January 2015. However, the right issue is subject to the approval of shareholders and other regulatory authorities.

16. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December 2014 <u>SR'000</u>	For the period from 9 June 2012 to 31 December 2013 <u>SR'000</u>
<i>Insurance operations</i>		
Employees costs	23,104	30,345
Depreciation (note 9)	1,782	2,159
Maintenance	1,776	1,618
Allowance for doubtful receivables (note 6)	1,319	1,172
Rental	1,332	748
Legal and professional fees	628	217
Others	2,488	2,479
	<u>32,429</u>	<u>38,738</u>
<i>Shareholders' operations</i>		
Employee costs	-	5,024
Legal and professional fees	1,478	1,769
Directors' remuneration (note 19)	1,001	1,615
Maintenance	-	390
Board and sub-committee attendance fee (note 19)	462	399
Rental	-	251
Others	10	656
	<u>2,951</u>	<u>10,104</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

17. INVESTMENT INCOME, NET

	For the year ended 31 December 2014 SR'000	For the period from 9 June 2012 to 31 December 2013 SR'000
<i>Shareholders' operations</i>		
Held for trading investments:		
- Realized gain during the year, net	594	847
- Unrealized gain during the year	136	191
Total investment income	730	1,038

18. ZAKAT AND INCOME TAX

Zakat

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

As the zakat base for the year is higher than the adjusted net income / (loss), the zakat for the year is calculated at the rate of 2.5% of the zakat base for the year.

The difference between the accounting income and the adjusted net income / (loss) is mainly due to provisions which are not allowed in the calculation of adjustable net income.

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

	For the year ended 31 December 2014 SR'000	For the period from 9 June 2012 to 31 December 2013 SR'000
Balance at the beginning of the year / period	1,809	-
Zakat charge for the year / period	980	2,233
Zakat payment made during the year / period	(1,292)	(424)
Balance at the end of the year / period	1,497	1,809

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

Income tax

The Company has incurred a taxable loss during the year, therefore, no income tax is charged to the statement of shareholders' comprehensive income.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

19. TRANSACTIONS WITH RELATED PARTIES

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.

- 19.1 In addition to the notes 5 and 6, following are the details of major related party transactions during the year and the related balances at the end of the year / period:

Nature of Transaction	Related party	Transactions		Balances	
		For the year ended 31 December 2014	For the period from 9 June 2012 to 31 December 2013	31 December 2014	31 December 2013
		SR'000	SR'000	SR'000	SR'000
IPO related cost	Shareholder	-	5,942	-	-
Pre-incorporation costs	Shareholders	-	23,566	-	-
	Associate	-	400	-	-
Insurance premiums	Shareholder	20,745	13,570	1,538	1,837
Reinsurance premiums	Shareholder	2,731	6,906	1,970	4,622
Claims paid	Shareholder	15,882	3,599	-	-
Purchase of fixed assets	Shareholders	-	3,372	-	-
	Associate	-	6	-	-
Reinsurance Commission	Shareholder	311	727	-	-
General and administrative expenses	Shareholders	248	8,794	-	-
	Associate	-	5,350	55	117
Murabaha Deposits	Shareholder	280,000	50,000	-	50,000

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

19. TRANSACTIONS WITH RELATED PARTIES (continued)

19.2 Information relating to key management personnel

	For the year ended 31 December 2014 <u>SR'000</u>	For the period from 9 June 2012 to 31 December 2013 <u>SR'000</u>
Short-term benefits	<u>4,684</u>	<u>9,909</u>
Long-term benefits	<u>187</u>	<u>428</u>

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

19.3 Board and sub-committee related expenses:

	For the year ended 31 December 2014 <u>SR'000</u>	For the period from 9 June 2012 to 31 December 2013 <u>SR'000</u>
Board of director's remuneration	<u>1,001</u>	<u>1,615</u>
Board and sub-committees attendance fee	<u>462</u>	<u>399</u>

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

20. RISK MANAGEMENT

The risks faced by the Company and the way these risks are mitigated by management are summarised below:

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitment associated with financial liabilities when they fall due. Liquidity requirements are monitored on monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

20. RISK MANAGEMENT (continued)

Maturity profile	31 December 2014		
	Less than one year	No term	Total
INSURANCE OPERATIONS' LIABILITIES	SR '000	SR '000	SR '000
Gross outstanding claims	36,089	-	36,089
Reinsurance balances payable	10,433	-	10,433
Accrued expenses and other liabilities	13,386	-	13,386
	<u>59,908</u>	<u>-</u>	<u>59,908</u>
SHAREHOLDERS' LIABILITIES	Less than one year	No term	Total
	SR '000	SR '000	SR '000
Accrued expenses and other liabilities	<u>2,016</u>	<u>-</u>	<u>2,016</u>
Maturity profile	31 December 2013		
	Less than one year	No term	Total
INSURANCE OPERATIONS' LIABILITIES	SR '000	SR '000	SR '000
Gross outstanding claims	19,138	-	19,138
Reinsurance balances payable	12,253	-	12,253
Accrued expenses and other liabilities	11,985	-	11,985
	<u>43,376</u>	<u>-</u>	<u>43,376</u>
SHAREHOLDERS' LIABILITIES	Less than one year	No term	Total
	SR '000	SR '000	SR '000
Accrued expenses and other liabilities	<u>2,534</u>	<u>-</u>	<u>2,534</u>

To manage the liquidity risk arising from above financial liabilities, the Company holds liquid assets comprising cash and cash equivalents and investment securities for which there is an active market except for unquoted equity instruments. These assets can be readily sold to meet liquidity requirements.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position. The Company's credit risk exposure relating to customers and deposits is mainly concentrated in Saudi Arabia.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

20. RISK MANAGEMENT (continued)

Credit risk (continued)

The Company seeks to limit its credit risk with respect to customers by following the Company's credit control policy and monitoring outstanding receivables on an ongoing basis in order to reduce the Company's exposure to bad debts. Management estimates specific impairment provision on a case to case basis. The Company seeks to limit its credit risk with respect to other counterparties by placing deposits with reputable banks. The Company enters into reinsurance contracts with reinsurers having minimum acceptable credit rating by recognized rating agencies that is not lower than BBB (with Standard and Poor's) and AA- (with AM Best).

The table below shows the maximum exposure to credit risk for the components of the financial position:

	31 December 2014	31 December 2013
	SR'000	SR'000
INSURANCE OPERATIONS' ASSETS		
Cash and bank balances	19,657	8,882
Premiums and reinsurance receivables, net	28,505	16,750
Reinsurers' share of outstanding claims	17,584	11,958
	65,746	37,590
	31 December 2014	31 December 2013
	SR'000	SR'000
SHAREHOLDERS' ASSETS		
Cash and cash equivalents	37,147	51,431
Murabaha deposits	-	15,410
Statutory deposit	20,000	20,000
	57,147	86,841

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is not broadly diversified due to its early stage of operations however, transactions are entered into with credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

Market risk and asset liability management

Market risk is the risk that the value of a financial instrument may fluctuate as a result of changes in market commission rates or the market price of securities or the instrument, change in market sentiments, speculative activities, supply and demand for securities and liquidity in the market.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

20. RISK MANAGEMENT (continued)

Market risk and asset liability management (continued)

The Board of Directors of the Company ensures that the overall market risk exposure is maintained at prudent levels and is consistent with the available capital. While the Board gives a strategic direction and goals, risk management function related to market risk is mainly the responsibility of the Investment Committee. The Committee prepares forecast showing the effects of various possible changes in market conditions related to risk exposures. This risk is being mitigated through proper selection of securities. The Company maintains a diversified portfolio and performs regular monitoring of developments in related markets. In addition, the key factors that affect shares and bond market movements are monitored, including analysis of the operational and financial performance of investees.

Market risk comprises of three types of risk: commission rate risk, currency risk, and market price risk.

Commission rate risk

Commission rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the commission rates.

The Company places deposits which are realisable within three months and more than three months, with the exception of restricted deposits which are required to be maintained in accordance with SAMA regulations on which the Company does not earn any commission. Management limits commission rate risk by monitoring changes in commission rates in the currencies in which its deposits are denominated.

The commission and non-commission bearing investments of the Company and their maturities as at 31 December are as follows:

	<i>Less than 1 year</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Non- commission bearing</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Shareholders' operations					
2014	-	-	-	32,188	32,188
2013	15,410	-	-	43,460	58,870

There is no significant difference between contractual re-pricing and maturity dates.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuations, as the Company primarily deals in Saudi Riyal.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

20. RISK MANAGEMENT (continued)

Market Price Risk

Market price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from commission rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's investments amounting to SAR 32.28 million are susceptible to market price risk arising from uncertainty about the future value of investment securities. The Company limits this nature of market risk by diversifying its investment portfolio and by actively monitoring the developments in markets.

Had all investments, other than commission bearing, been measured at fair values as required by IAS 39, Financial Instruments: Recognition and Measurement, the impact of hypothetical change of a 10% in the Net Asset Value of the funds, with all other variables held constant, would impact the shareholders' operations by SR 3.29 million.

The sensitivity analysis presented is based upon the portfolio position as at 31 December 2014. Accordingly, the sensitivity analysis prepared is not necessarily indicative of the effect on the Company's assets of future movements in the value of investments held by the Company.

Sensitivity analysis

The Company believes that the claim liabilities under insurance contracts outstanding at the year end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The insurance claim liabilities are sensitive to various assumptions. It is not possible to quantify sensitivity of specific variable such as legislative changes or uncertainty in the estimation process. However, the sensitivity to changes in claim liabilities net of reinsurance by 10 percent is analyzed separately for each class of business while keeping all other assumptions constant.

2014

<u>Impact of change in claim liabilities by +/- 10%</u>	<u>Net loss</u>	<u>Shareholders' equity</u>
	<u>SR'000</u>	<u>SR'000</u>
Motor	1,036	1,036
General	702	702
Protection and savings	113	113

2013

<u>Impact of change in claim liabilities by +/- 10%</u>	<u>Net loss</u>	<u>Shareholders' equity</u>
	<u>SR'000</u>	<u>SR'000</u>
Motor	300	300
General	369	369
Group credit	48	48

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

20. RISK MANAGEMENT (continued)

Sensitivity analysis (continued)

A key feature of the liability adequacy testing is that the effects of changes in assumptions on the measurement of liabilities and related assets are not symmetrical. Any improvements in estimates have no impact on the value of liabilities and related assets until the liabilities are derecognised, while significant deterioration in estimates is immediately recognised to make the liabilities adequate.

Insurance risk

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk that the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid being greater than original estimates and subsequent development of long-term claims.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements.

Significant portion of reinsurance business ceded is placed on a quota share basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurance assets.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements.

Re-insurance risk

Similar to other insurance companies, in order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for reinsurance purposes.

To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

20. RISK MANAGEMENT (continued)

Re-insurance risk (continued)

Reinsurers are selected using the following parameters and guidelines set by the Company's Board of Directors and Reinsurance Committee. The criteria may be summarized as follows:

- Minimum acceptable credit rating by recognized rating agencies (e.g. S&P) that is not lower than BBB or equivalent.
- Reputation of particular reinsurance companies.
- Existing or past business relationship with the reinsurer

The exception to this rule is in respect of local companies who do not carry any such credit rating. This, however, is limited to those companies registered and approved by the local insurance regulators.

Furthermore, the financial strength and managerial and technical expertise as well as historical performance, wherever applicable, are thoroughly reviewed by the Company and matched against a list of requirements pre-set by the Company's Board of Directors and Reinsurance Committee before approving them for exchange of reinsurance business.

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risks, civil riots etc. The Company manages these risk through the measures described above. The Company has limited its exposure to catastrophic and riot events by use of reinsurance arrangements.

Concentration of insurance risk

The Company monitors concentration of insurance risks primarily by class of business. The major concentration lies in Motor and Group credit.

The Company also monitors concentration of risk by evaluating multiple risks covered in the same geographical location. For flood or earthquake risk, a complete city is classified as a single location. For fire and property risk a particular building and neighboring buildings, which could be affected by a single claim incident, are considered as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk. The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

Since the Company operates majorly in Saudi Arabia only, hence, all the insurance risks relate to policies written in Saudi Arabia.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

20. RISK MANAGEMENT (continued)

Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the statement of financial position date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one off occurrence, changes in market factors such as public attitude to claiming and economic conditions.

Sources of uncertainty in estimation of future claim payments (continued)

Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the balance sheet date. The details of estimation of outstanding claims and technical reserves are given under note 11.

Process used to decide on assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve in result of liability adequacy test) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of balance sheet date. The expected future liability is determined using estimates and assumptions based on the experience during the expired year of the contracts and expectations of future events that are believed to be reasonable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

20. RISK MANAGEMENT (continued)

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Senior management ensures that the Company's staff have adequate training and experience and fosters effective communication related to operational risk management.

Regulatory framework risk

The operations of the Company are also subject to regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimize the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as they arise.

Capital management risk

The Company manages its capital to ensure that it is able to continue as a going concern and comply with the regulator's capital requirements of the markets in which the Company operates while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid up share capital, reserves and accumulated losses.

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

20. RISK MANAGEMENT (continued)

The Company maintains its capital as per guidelines laid out by SAMA in Article 66 table 3 and 4 of the Implementing Regulations detailing the solvency margin required to be maintained. The Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

- Minimum Capital Requirement of SR 100 million
- Premium Solvency Margin
- Claims Solvency Margin

The Company is in compliance with the regulatory requirements and no change has been made to the capital base or to the objectives, policies and processes for managing capital.

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value there is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of operations or undertake a transaction on adverse terms. The Company's financial assets consist of cash and cash equivalents, premiums and reinsurance receivables, Murabaha deposit, reinsurance share of outstanding claims, investments and accrued income and its financial liabilities consist of reinsurance balance payables, accrued expenses and gross outstanding claims. The fair values of financial assets and liabilities are not materially different from their carrying values at the statement of financial position date.

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

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

As at 31 December 2014	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 investment				
- Investment in equity shares	-	-	1,923	1,923
Total	99	32,188	1,923	34,210
As at 31 December 2013	Level 1	Level 2	Level 3	Total
	SR'000	SR'000	SR'000	SR'000
Held for trading investment				
- Investment in commodity fund	-	43,460	-	43,460
Available for sale investment				
- Investment in equity	-	-	1,923	1,923
Total	-	43,460	1,923	45,383

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

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

22. LOSS PER SHARE

The basic and diluted loss per share is calculated as follows:

	For the year ended 31 December 2014	For the period from 9 June 2012 to 31 December 2013
Net loss for the year (SR'000)	<u>(29,382)</u>	<u>73,050</u>
Weighted average number of ordinary share (Number in thousands)	<u>20,000</u>	<u>20,000</u>
Loss per share for the year / period	<u>SR (1.469)</u>	<u>SR (3.653)</u>

23. CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 December 2014 and 31 December 2013, the Company had no contingent liabilities and commitments.

24. SEGMENT REPORTING

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

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

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

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

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:

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

24. SEGMENT REPORTING (continued)

The segment results for the year ended 31 December 2014 are as follows:

	For the year ended 31 December 2014						
	<u>Fire</u> <u>SR'000</u>	<u>Marine</u> <u>SR'000</u>	<u>General</u> <u>accident</u> <u>SR'000</u>	<u>Engineering</u> <u>SR'000</u>	<u>Motor</u> <u>SR'000</u>	<u>Protection</u> <u>and saving</u> <u>SR'000</u>	<u>Total</u> <u>SR'000</u>
REVENUES							
Gross written premiums	23,134	18,096	8,802	2,254	22,909	17,390	92,585
Reinsurance premiums ceded	(22,386)	(16,123)	(5,755)	(1,991)	(314)	(9,324)	(55,893)
Excess of loss premiums	(2,221)	(333)	(312)	(53)	(1,225)	-	(4,144)
Net written premiums	(1,473)	1,640	2,735	210	21,370	8,066	32,548
Net change in unearned premiums	1,055	(106)	(779)	(76)	372	-	466
Net earned premiums	(418)	1,534	1,956	134	21,742	8,066	33,014
Reinsurance commission earned and other income	3,717	2,470	1,196	259	33	481	8,156
Total insurance revenues	3,299	4,004	3,152	393	21,775	8,547	41,170
CLAIMS AND EXPENSES							
Net claims incurred	(251)	(132)	(4,223)	(93)	(24,938)	(3,497)	(33,134)
Policy acquisition costs	(582)	(177)	(152)	(71)	(1,861)	-	(2,843)
Inspection and supervision fees	(43)	(60)	(30)	(7)	(113)	(87)	(340)
General and administrative expenses							(32,429)
Total Claims and expenses							(68,746)
Net deficit from insurance operations							(27,576)

	For the period from 9 June 2012 to 31 December 2013						
	<u>Fire</u> <u>SR '000</u>	<u>Marine</u> <u>SR '000</u>	<u>General</u> <u>accident</u> <u>SR '000</u>	<u>Engineering</u> <u>SR '000</u>	<u>Motor</u> <u>SR '000</u>	<u>Protection</u> <u>and savings</u> <u>SR '000</u>	<u>Total</u> <u>SR '000</u>
REVENUES							
Gross written premiums	15,941	8,636	3,471	1,573	10,764	10,867	51,252
Reinsurance premiums ceded	(10,819)	(7,714)	(2,919)	(1,469)	-	(5,570)	(28,491)
Excess of loss premiums	(3,893)	(331)	(254)	(36)	(310)	-	(4,824)
Net written premiums	1,229	591	298	68	10,454	5,297	17,937
Net change in unearned premiums	(1,384)	(308)	(208)	(75)	(7,265)	-	(9,240)
Net earned premiums	(155)	283	90	(7)	3,189	5,297	8,697
Reinsurance commission earned and other income	1,526	557	538	32	5	4	2,662
Total insurance revenue	1,371	840	628	25	3,194	5,301	11,359
CLAIMS AND EXPENSES							
Net claims incurred	(1,770)	(4,426)	(748)	(18)	(4,319)	(1,188)	(12,469)
Policy acquisition costs	(157)	(45)	(33)	(10)	(446)	-	(691)
Inspection and supervision fees	(72)	(42)	(14)	(6)	(54)	(53)	(241)
General and administrative expenses							(38,738)
Total Claims and expenses							(52,139)
Net deficit from insurance operations							(40,780)

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

24. SEGMENT REPORTING (continued)

The segment information relating to the statement of financial position as at 31 December 2014 and 2013 is as follows:

	As at 31 December 2014						Total SR'000
	Fire SR'000	Marine SR'000	General accident SR'000	Engineering SR'000	Motor SR'000	Protection and saving SR'000	
ASSETS							
Reinsurers' share of outstanding claims	6,198	3,756	1,705	826	-	5,099	17,584
Reinsurers' share of unearned premiums	6,283	4,536	2,138	2,308	242	-	15,507
Deferred policy acquisition costs	292	82	127	221	391	-	1,113
Unallocated assets							55,463
Total assets							89,667
LIABILITIES							
Gross outstanding claims	7,815	4,265	6,488	938	10,355	6,228	36,089
Gross unearned premiums	6,610	4,951	3,125	2,459	7,136	-	24,281
Unearned reinsurance commission	1,274	1,001	578	510	43	-	3,406
Unallocated liabilities							25,891
Total liabilities							89,667

	As at 31 December 2013						Total SR'000
	Fire SR'000	Marine SR'000	General accident SR'000	Engineering SR'000	Motor SR'000	Protection and saving SR'000	
ASSETS							
Reinsurers' share of outstanding claims	6,288	1,750	1,954	40	-	1,926	11,958
Reinsurers' share of unearned premiums	3,905	2,690	891	1,340	-	-	8,826
Deferred policy acquisition costs	282	45	6	98	787	-	1,218
Unallocated assets							42,720
Total assets							64,722
LIABILITIES							
Gross outstanding claims	8,039	2,852	2,776	59	3,004	2,408	19,138
Gross unearned premiums	5,288	2,998	1,099	1,416	7,265	-	18,066
Unearned insurance commission	948	275	199	243	-	-	1,665
Unallocated liabilities							25,853
Total liabilities							64,722

25. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors of the Company on 3 Jumada Al Awwal 1436H corresponding to 22 February 2015.