

**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**

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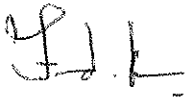
**ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)**


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

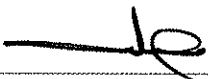
The accompanying notes 1 to 25 form an integral part of these financial statements.


ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	<i>Notes</i>	31 December 2014	31 December 2013
		SR'000	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)**

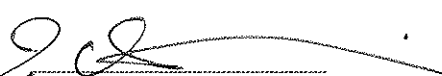
STATEMENT OF INSURANCE OPERATIONS

For the year ended 31 December 2014

	<i>Notes</i>	For the year ended 31 December 2014	For the period from 9 June 2012 to 31 December 2013
		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

	<i>Notes</i>	For the year ended 31 December 2014 SR '000	For the period from 9 June 2012 to 31 December 2013 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

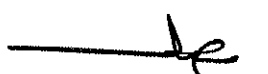
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**ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME

For the year ended 31 December 2014

	<i>Note</i>	For the year ended 31 December 2014	For the period from 9 June 2012 to 31 December 2013
		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
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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2014

	<i>Note</i>	Share capital	Accumulated losses	Total
		SR '000	SR '000	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
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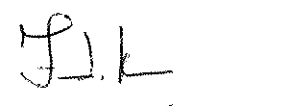
STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the year ended 31 December 2014

	<i>Notes</i>	For the year ended 31 December 2014 SR '000	For the period from 9 June 2012 to 31 December 2013 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		<u>3,056</u>	<u>4,948</u>
<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		<u>14,023</u>	<u>15,534</u>
INVESTING ACTIVITIES			
Purchase of fixed assets	9	(3,250)	(6,611)
Proceeds from disposal of fixed assets		-	1
Net cash used in investing activities		<u>(3,250)</u>	<u>(6,610)</u>
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	<u>19,697</u>	<u>8,924</u>



Director



Chief Financial Officer



Chief Executive Officer

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

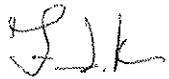
**ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)**


STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the year ended 31 December 2014

	<i>Notes</i>	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.

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.

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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.

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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.

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NOTES TO THE FINANCIAL STATEMENTS

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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.

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

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
	<i>SR '000</i>	<i>SR '000</i>
<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
	<u>30,996</u>	<u>17,922</u>
Less: Provision for doubtful receivables	(2,491)	(1,172)
	<u>28,505</u>	<u>16,750</u>

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.

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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
	<i>SR'000</i>	<i>SR'000</i>
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
		Up to 3 months	3 to 6 months	6 to 12 months	Above 12 months		
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
2014	<u>7,191</u>	<u>12,523</u>	<u>879</u>	<u>3,034</u>	<u>2,062</u>	<u>5,307</u>	<u>30,996</u>
2013	<u>4,012</u>	<u>5,492</u>	<u>3,163</u>	<u>1,026</u>	<u>-</u>	<u>4,229</u>	<u>17,922</u>

7. PREPAYMENTS AND OTHER ASSETS

	31 December 2014	31 December 2013
	<i>SR'000</i>	<i>SR'000</i>
<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	<u>12</u>	<u>-</u>

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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.

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

9. FIXED ASSETS

Insurance operations

	<i>31 December 2014</i>				<i>31 December 2013</i>
	<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

	<i>31 December 2014</i>	<i>31 December 2013</i>
	<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
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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	<u>17,587</u>	<u>1,372</u>	<u>2,850</u>	<u>21,809</u>
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	<u>7,351</u>	<u>3,327</u>	<u>647</u>	<u>11,325</u>
Total incurred claims	<u>24,938</u>	<u>4,699</u>	<u>3,497</u>	<u>33,134</u>

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	<u>1,315</u>	<u>3,268</u>	<u>706</u>	<u>5,289</u>
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	<u>3,004</u>	<u>3,694</u>	<u>482</u>	<u>7,180</u>
Total incurred claims	<u>4,319</u>	<u>6,962</u>	<u>1,188</u>	<u>12,469</u>

**ALINMA TOKIO MARINE COMPANY
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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>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>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

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

12. NET EARNED PREMIUMS

	For the year ended 31 December 2014 <i>SR'000</i>	For the period from 9 June 2012 to 31 Dec 2013 <i>SR'000</i>
<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>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<i>Insurance operations</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>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

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

14. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2014	31 December 2013
	<u>SR'000</u>	<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	For the period from 9 June 2012 to 31 December 2013
	<u>SR'000</u>	<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>

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NOTES TO THE FINANCIAL STATEMENTS

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17. INVESTMENT INCOME, NET

	For the year ended 31 December 2014	For the period from 9 June 2012 to 31 December 2013
	SR'000	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	For the period from 9 June 2012 to 31 December 2013
	SR'000	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