

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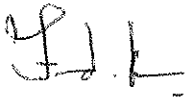
**ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)**


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

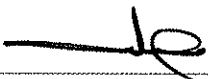
The accompanying notes 1 to 25 form an integral part of these financial statements.


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	<i>11</i>	36,089	19,138
Reinsurance balances payable		10,433	12,253
Gross unearned premiums	<i>13</i>	24,281	18,066
Unearned reinsurance commission		3,406	1,665
Due to shareholders' operations		502	-
Accrued expenses and other liabilities	<i>14</i>	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	<i>14</i>	2,016	2,534
Due to insurance operations		-	9,223
Zakat and income tax payable	<i>18</i>	1,497	1,809
Total shareholders' liabilities		3,513	13,566
SHAREHOLDERS' EQUITY			
Share capital	<i>15</i>	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

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ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

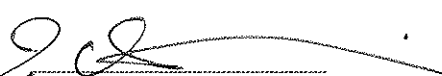
STATEMENT OF INSURANCE OPERATIONS

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

	<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
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

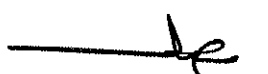
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**ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

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		<u>(30,362)</u>	<u>(75,283)</u>



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	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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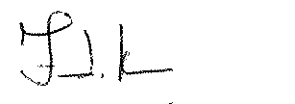
STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

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.

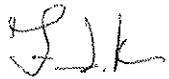
**ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)**


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.