
SABB TAKAFUL COMPANY

(A SAUDI JOINT STOCK COMPANY)

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH AND SIX MONTH PERIODS
ENDED 30 JUNE 2015**



Aldar Audit Bureau

Abdullah AlBasri & Co.



Independent auditors' review report on interim condensed financial statements to the shareholders' of SABB Takaful Company (A Saudi Joint Stock Company)

Scope of review

We have reviewed the accompanying interim statement of financial position of SABB Takaful Company - a Saudi Joint Stock Company (the "Company") as at June 30, 2015 and the related interim statements of income - takaful operations and comprehensive income - shareholders' operations for the three month and six month periods ended June 30, 2015, and statements of changes in shareholders' equity and cash flows for takaful and shareholders' operations for the six month period then ended and the notes 1 to 13 which form part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) and submitted to us together with all the information and explanations which we required.

We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the auditing standards generally accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with IAS 34.

Emphasis of a matter

We draw attention to the fact that these interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.

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SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Notes	30 June 2015 (Unaudited) SAR'000	31 December 2014 (Audited) SAR'000
<u>TAKAFUL OPERATIONS' ASSETS</u>			
Available-for-sale investments	3	416,019	398,747
Contributions receivable, net	4	4,058	11,833
Retakaful share of outstanding claims	6	58,689	54,656
Retakaful share of unearned contributions	7 (b)	10,902	12,848
Deferred policy acquisition costs		1,752	1,411
Prepayments and other receivables		2,099	945
Due from shareholders		-	3,246
Cash and cash equivalents	5	40,424	40,028
TOTAL TAKAFUL OPERATIONS' ASSETS		533,943	523,714
<u>SHAREHOLDERS' ASSETS</u>			
Intangible assets		1,323	1,194
Motor vehicle		57	65
Held-to-maturity investments	3	187,000	187,000
Statutory deposit		34,000	34,000
Prepayments and other receivables		1,136	1,105
Due from takaful operations		8,150	-
Cash and cash equivalents	5	133,410	143,426
TOTAL SHAREHOLDERS' ASSETS		365,076	366,790
TOTAL ASSETS		899,019	890,504

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

SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2015

	Notes	30 June 2015 (Unaudited) SAR'000	31 December 2014 (Audited) SAR'000
<u>TAKAFUL OPERATIONS' LIABILITIES</u>			
Reserve for takaful activities	7 (a)	406,526	389,166
Provision for employees' end-of-service benefits		5,658	5,056
Surplus distribution payable		6,018	4,427
Gross unearned contributions	7 (b)	17,257	20,310
Unearned commission income		2,345	2,263
Gross outstanding claims	6	72,593	70,186
Retakaful balances payable, net		3,744	3,460
Payables, accruals and others		11,042	27,255
Due to shareholders		8,150	-
TOTAL TAKAFUL OPERATIONS' LIABILITIES		533,333	522,123
TAKAFUL OPERATIONS' SURPLUS		610	1,591
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS		533,943	523,714
<u>SHAREHOLDERS' EQUITY AND LIABILITIES</u>			
SHAREHOLDERS' EQUITY			
Share capital		340,000	340,000
Legal reserve		11,478	11,478
Retained earnings		9,172	4,247
TOTAL SHAREHOLDERS' EQUITY		360,650	355,725
SHAREHOLDERS' LIABILITIES			
Payables, accruals and others		1,409	1,948
Due to takaful operations		-	3,246
Provision for zakat and tax	12	3,017	5,871
		4,426	11,065
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		365,076	366,790
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS, SHAREHOLDERS' EQUITY AND LIABILITIES		899,019	890,504





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

SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF INCOME - TAKAFUL OPERATIONS (UNAUDITED)

For the three and six months ended 30 June 2015

	<i>Three months ended 30 June 2015 SR'000</i>	<i>Three months ended 30 June 2014 SR'000</i>	<i>Six months ended 30 June 2015 SR'000</i>	<i>Six months ended 30 June 2014 SR'000</i>
Gross contributions written				
- Family Takaful	43,767	46,772	86,991	85,107
- General Takaful	5,615	6,407	11,933	10,599
	<u>49,382</u>	<u>53,179</u>	<u>98,924</u>	<u>95,706</u>
Family Takaful - Planholder charges	6,622	6,577	13,506	13,257
	<u>56,004</u>	<u>59,756</u>	<u>112,430</u>	<u>108,963</u>
Gross contributions written and Planholder charges				
Retakaful contribution ceded	(12,668)	(12,246)	(25,671)	(22,795)
	<u>43,336</u>	<u>47,510</u>	<u>86,759</u>	<u>86,168</u>
Net written contribution and Planholder charges				
Changes in gross unearned contributions	1,784	(1,240)	3,053	2,390
Changes in retakaful share of unearned contributions	(1,340)	(226)	(1,946)	(2,760)
Changes in reserve for takaful activities	(7,848)	15,906	(19,397)	29,669
	<u>35,932</u>	<u>61,950</u>	<u>68,469</u>	<u>115,467</u>
Net contributions earned and Planholder charges				
Fees and commission income	1,730	2,727	2,714	7,053
	<u>37,662</u>	<u>64,677</u>	<u>71,183</u>	<u>122,520</u>
Underwriting revenue				
Gross claims paid	(11,088)	(13,047)	(20,551)	(25,526)
Retakaful share of claims paid	8,179	8,941	15,045	18,584
	<u>(2,909)</u>	<u>(4,106)</u>	<u>(5,506)</u>	<u>(6,942)</u>
Net claims paid				
Changes in gross outstanding claims	(101)	5,268	(2,407)	(11,622)
Changes in retakaful share of outstanding claims	1,441	(2,308)	4,033	11,087
	<u>(1,569)</u>	<u>(1,146)</u>	<u>(3,880)</u>	<u>(7,477)</u>
Net claims incurred				
Surrenders and maturities	(22,187)	(47,333)	(40,076)	(85,468)
	<u>(23,756)</u>	<u>(48,479)</u>	<u>(43,956)</u>	<u>(92,945)</u>
Net claims incurred, surrenders and maturities				
Policy acquisition costs	(1,938)	(3,456)	(3,643)	(7,481)
	<u>(25,694)</u>	<u>(51,935)</u>	<u>(47,599)</u>	<u>(100,426)</u>
Total claims, surrenders, maturities and policy acquisition costs				
Underwriting surplus for the period	11,968	12,742	23,584	22,094
Investment income	349	372	697	711
General and administrative expenses	(9,005)	(9,009)	(18,177)	(16,426)
	<u>3,312</u>	<u>4,105</u>	<u>6,104</u>	<u>6,379</u>
Net surplus for the period from takaful operations				
Transfer of net surplus for the period to shareholders' operations	(2,981)	(3,694)	(5,494)	(5,741)
	<u>331</u>	<u>411</u>	<u>610</u>	<u>638</u>
Net surplus for the period				

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

SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF COMPREHENSIVE INCOME - SHAREHOLDERS' OPERATIONS
(UNAUDITED)

For the three and six months ended 30 June 2015

	<i>Note</i>	<i>Three months ended 30 June 2015 SR'000</i>	<i>Three months ended 30 June 2014 SR'000</i>	<i>Six months ended 30 June 2015 SR'000</i>	<i>Six months ended 30 June 2014 SR'000</i>
Transfer of net surplus for the period from takaful operations		2,981	3,694	5,494	5,741
Income from murabaha deposits		184	209	381	441
Income from sukuks		1,017	1,192	2,049	2,372
Total income		<u>4,182</u>	<u>5,095</u>	<u>7,924</u>	<u>8,554</u>
General and administrative expenses		(80)	(286)	(677)	(975)
Net profit for the period		<u>4,102</u>	<u>4,809</u>	<u>7,247</u>	<u>7,579</u>
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		<u>4,102</u>	<u>4,809</u>	<u>7,247</u>	<u>7,579</u>
Basic and diluted earnings per share (SAR)	9	<u>0.12</u>	<u>0.14</u>	<u>0.21</u>	<u>0.22</u>





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

SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)

For the six months ended 30 June 2015

	<i>Share capital</i>	<i>Legal reserve</i>	<i>Retained earnings/ (Accumulated losses)</i>	<i>Total</i>
	SAR'000	SAR'000	SAR'000	SAR'000
Balance as at 1 January 2015	340,000	11,478	4,247	355,725
Total comprehensive income for the period	-	-	7,247	7,247
Provision for zakat and tax	-	-	(2,322)	(2,322)
Balance as at 30 June 2015	<u>340,000</u>	<u>11,478</u>	<u>9,172</u>	<u>360,650</u>
Balance as at 1 January 2014	340,000	8,075	(3,471)	344,604
Total comprehensive income for the period	-	-	7,579	7,579
Provision for zakat and tax	-	-	(2,867)	(2,867)
Balance as at 30 June 2014	<u>340,000</u>	<u>8,075</u>	<u>1,241</u>	<u>349,316</u>





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

SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS - TAKAFUL OPERATIONS

(UNAUDITED)

For the six months ended 30 June 2015

	Notes	Six months ended 30 June 2015 SR'000	Six months ended 30 June 2014 SR'000
OPERATING ACTIVITIES			
Surplus from takaful operations after shareholders' appropriation		610	638
Adjustment to reconcile surplus from takaful operations after shareholders' appropriation to net cash used in operating activities:			
Shareholders' appropriation from surplus		5,494	5,741
Reversal of impairment on contribution receivables		(664)	(165)
Provision for employees' end-of-service benefits		811	430
Operating surplus before shareholders' appropriations and before changes in operating assets and liabilities		<u>6,251</u>	<u>6,644</u>
Changes in operating assets and liabilities:			
Available-for-sale investments, net		(17,272)	24,806
Contributions receivable, net		8,439	3,319
Retakaful share of outstanding claims		(4,033)	(11,087)
Retakaful share of unearned contributions		1,946	2,760
Deferred policy acquisition costs		(341)	(361)
Retakaful balances recoverable, net		-	(156)
Prepayments and other receivables		(1,154)	(1,211)
Reserve for takaful activities		17,360	(25,271)
Payment of employees' end-of-service benefits		(209)	(14)
Gross unearned contributions		(3,053)	(2,390)
Unearned commission income		82	(663)
Gross outstanding claims		2,407	11,622
Retakaful balances payable, net		284	(11,049)
Payables, accruals and others		(16,213)	(4,909)
Net cash used in operating activities		<u>(5,506)</u>	<u>(7,960)</u>
FINANCING ACTIVITY			
Due from/ (to) shareholders, net		5,902	(2,809)
INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		396	(10,769)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		40,028	49,954
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	40,424	39,185
Non-cash supplemental information:			
Net change in fair value of available-for-sale investments	3 (c)	11,469	17,655





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

SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS - SHAREHOLDERS' OPERATIONS
(UNAUDITED)

For the six months ended 30 June 2015

	<i>Six months ended 30 June 2015 SR'000</i>	<i>Six months ended 30 June 2014 SR'000</i>
OPERATING ACTIVITIES		
Net profit for the period	7,247	7,579
Adjustment to reconcile net profit to net cash used in operating activities:		
Appropriation of surplus from takaful operations	(5,494)	(5,741)
Amortisation	205	156
Depreciation	8	-
	<u>1,966</u>	<u>1,994</u>
Changes in operating assets and liabilities:		
Prepayments and other receivables	(31)	162
Payables, accruals and others	(539)	(2,897)
	<u>1,396</u>	<u>(741)</u>
Cash from/ (used in) operating activities	<u>1,396</u>	<u>(741)</u>
Zakat and tax paid	(5,176)	(5,978)
	<u>(3,780)</u>	<u>(6,719)</u>
Net cash used in operating activities	<u>(3,780)</u>	<u>(6,719)</u>
INVESTING ACTIVITIES		
Purchase of intangibles	(334)	(381)
Due (to)/ from takaful operations, net	(5,902)	2,809
	<u>(6,236)</u>	<u>2,428</u>
Net cash (used in)/ from investing activities	<u>(6,236)</u>	<u>2,428</u>
DECREASE IN CASH AND CASH EQUIVALENTS	<u>(10,016)</u>	<u>(4,291)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>143,426</u>	<u>111,664</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>5</u> <u>133,410</u>	<u>107,373</u>

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

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2015

1. ORGANISATION AND PRINCIPAL ACTIVITIES

SABB Takaful Company (the Company) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration No. 1010234032 dated 20 Jumad Awal 1428H (corresponding to 6 June 2007). The registered address of the Company is P. O. Box 9086, Riyadh 11413, Kingdom of Saudi Arabia.

The purpose of the Company is to transact takaful operations and all related activities. Its principal lines of business include Individual Family, Group Family and General Takaful products. The Company operates only in the Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION, BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS AND RISK MANAGEMENT POLICIES

a) Basis of preparation

These interim condensed financial statements for the three and six months ended 30 June 2015 have been prepared in accordance with IAS 34 - Interim Financial Reporting.

These interim condensed financial statements have been prepared on a historic cost basis except for the measurement at fair value of available-for-sale investments.

These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2014.

In management's opinion, these interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim periods presented. The Company's interim results may not be indicative of its annual results.

b) Basis of presentation

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Takaful Operations and Shareholders' Operations and presents the financial statements accordingly. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

c) Significant accounting policies, significant accounting estimates and assumptions and risk management policies

The significant accounting policies, significant accounting estimates and assumptions and risk management policies adopted in the preparation of these interim condensed financial statements are consistent with the Company's audited financial statements for the year ended 31 December 2014, except for the adoption of the following amendments to existing standards mentioned below which have had either insignificant effect or no financial impact on the condensed interim financial statements of the Company on the current period or prior periods and are expected to have a insignificant effect in future period:

- Amendments to IAS 19 applicable for annual periods beginning on or after 1 July 2014 is applicable to defined benefit plans involving contribution from employees and / or third parties. This provides relief, based on meeting certain criteria's, from the requirements proposed in the amendments of 2011 for attributing employee / third party contributions to periods of service under the plan benefit formula or on a straight line basis. The current amendment gives an option, if conditions satisfy, to reduce service cost in period in which the related service is rendered.

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2015

2. BASIS OF PREPARATION, BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS AND RISK MANAGEMENT POLICIES (continued)

c) Significant accounting policies, significant accounting estimates and assumptions and risk management policies (continued)

- Annual improvements to IFRS 2010-2012 and 2011-2013 cycle applicable for annual periods beginning on or after 1 July 2014. A summary of the amendments is contained as under:

- IFRS 8 – “Operating segments” has been amended to explicitly require disclosure of judgments made by management in applying aggregation criteria.

- IFRS 13 has been amended to clarify measurement of interest free short term receivables and payables at their invoiced amount without discounting, if the effect of discounting is immaterial. It has been further amended to clarify that the portfolio exception potentially applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.

- IAS 16 – “Property plant and equipment” and IAS 38 – “Intangible assets”: – the amendments clarify the requirements of revaluation model recognizing that the restatement of accumulated depreciation (amortisation) is not always proportionate to the change in the gross carrying amount of the asset.

- IAS 24 – “Related party disclosures” – the definition of a related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or indirectly.

d) Functional and presentation currency

The functional and presentational currency of the Company is Saudi Riyals. The financial statements values are presented in Saudi Riyals rounded to the nearest thousand (SAR’000), unless otherwise indicated.

3. INVESTMENTS

a) Investments comprise of available-for-sale and held-to-maturity investments. An analysis of the investments is set out below:

	30 June 2015	
	SAR’000	
	<i>Takaful Operations</i>	<i>Shareholders</i>
<i>Available-for-sale investments – Quoted</i>		
Investment in Amanah Mutual Funds	416,019	-
<i>Held-to-maturity investments – Quoted</i>		
Saudi Electricity Company Sukuk (SEC-III)	-	25,000
Saudi Hollandi Bank Sukuk (SHB-II)	-	15,000
<i>Held-to-maturity investments – Unquoted</i>		
Saudi Hollandi Bank Sukuk (SHB-I)	-	5,000
Bank Al Jazira Sukuk	-	20,000
General Authority of Civil Aviation Sukuk (GACA - I)	-	50,000
The National Industrialization Company Sukuk (TASNEE - I)	-	50,000
Olayan Real Estate Company Sukuk (ORECO - I)	-	10,000
The Power and Water Utility Company for Jubail and Yanbu Sukuk (MARAFIQ)	-	12,000
	-	187,000
Total investments	416,019	187,000

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2015

3. INVESTMENTS (continued)

	31 December 2014 SAR'000 (Audited)	
	Takaful Operations	Shareholders
<i>Available-for-sale investments – Quoted</i>		
Investment in Amanah Mutual Funds	398,747	-
<i>Held-to-maturity investments – Quoted</i>		
Saudi Electricity Company Sukuk (SEC-III)	-	25,000
Saudi Hollandi Bank Sukuk (SHB-II)	-	15,000
<i>Held-to-maturity investments – Unquoted</i>		
Saudi Hollandi Bank Sukuk (SHB-I)	-	5,000
Bank Al Jazira Sukuk	-	20,000
General Authority of Civil Aviation Sukuk (GACA - I)	-	50,000
The National Industrialization Company Sukuk (TASNEE - I)	-	50,000
Olayan Real Estate Company Sukuk (ORECO - I)	-	10,000
The Power and Water Utility Company for Jubail and Yanbu Sukuk (MARAFIQ)	-	12,000
	-	187,000
Total investments	398,747	187,000

Quoted held-to-maturity investments represent sukuks which are listed on Tadawul.

Available-for-sale investments in takaful operations represent investments in units of mutual funds managed by HSBC Saudi Arabia Limited, being a related party of the Company.

The maturity profile of held-to-maturity investments is as follows:

<i>Maturity profile - Held-to-maturity investments</i>	<i>Maturity date</i>
- Saudi Electricity Company Sukuk (SEC-III)	10 May 2017
- Saudi Hollandi Bank Sukuk (SHB-II)	26 November 2019
- Saudi Hollandi Bank Sukuk (SHB-I)	29 December 2019
- Bank Al Jazira Sukuk	28 March 2021
- General Authority of Civil Aviation Sukuk (GACA - I)	18 January 2022
- The National Industrialization Company Sukuk (TASNEE - I)	21 May 2019
- Olayan Real Estate Company Sukuk (ORECO - I)	25 June 2017
- The Power and Water Utility Company for Jubail and Yanbu Sukuk (MARAFIQ)	27 May 2018

b) The fair value of held-to-maturity investments as at 30 June 2015 is SAR 187.9 million (31 December 2014: SAR 187.33 million).

c) The movement in the available-for-sale investments held to cover unit-linked liabilities was as follows:

	30 June 2015 (Unaudited) SAR'000	31 December 2014 (Audited) SAR'000
Opening balance	398,747	455,806
Purchased during the period/ year	61,173	102,884
Sold during the period/ year	(55,370)	(186,783)
	404,550	371,907
Net change in fair values of investments	11,469	26,840
Closing balance	416,019	398,747

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2015

3. INVESTMENTS (continued)

The Company uses the following hierarchy methods for determining and disclosing the fair value of available-for-sale investments at the reporting period end:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The Company's available-for-sale investments are classified under Level 2 hierarchy.

4. CONTRIBUTIONS RECEIVABLE, NET

	<i>30 June 2015 (Unaudited) SAR'000</i>	<i>31 December 2014 (Audited) SAR'000</i>
Due from policy holders	4,213	6,402
Due from a shareholder (The Saudi British Bank)	4	6,254
	<u>4,217</u>	<u>12,656</u>
Provision for impairment	(159)	(823)
	<u>4,058</u>	<u>11,833</u>

5. CASH AND CASH EQUIVALENTS

	<i>30 June 2015 (Unaudited) SAR'000</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>
Bank balances	25,362	2,142
Murabaha deposits	15,062	131,268
	<u>40,424</u>	<u>133,410</u>

As at 30 June 2015, murabaha deposits amounting to SAR 20 million (31 December 2014: SAR 35 million) pertain to the Saudi British Bank, a shareholder of the Company.

	<i>31 December 2014 (Audited) SAR'000</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>
Bank balances	25,009	5,371
Murabaha deposits	15,019	138,055
	<u>40,028</u>	<u>143,426</u>

Bank balances are maintained with the Saudi British Bank, a shareholder of the Company.

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2015

6. OUTSTANDING CLAIMS

	<i>30 June 2015 (Unaudited)</i>		
	<i>Gross SAR'000</i>	<i>Retakaful share SAR'000</i>	<i>Net SAR'000</i>
Family Takaful outstanding claims			
- Outstanding claim reserves	6,577	(4,853)	1,724
- Incurred but not reported reserve and other reserves	16,143	(11,855)	4,288
General Takaful outstanding claims			
- Outstanding claim reserves	37,746	(37,366)	380
- Incurred but not reported reserve and other reserves	12,127	(4,615)	7,512
Total outstanding claims	72,593	(58,689)	13,904
	<i>31 December 2014 (Audited)</i>		
	<i>Gross SAR'000</i>	<i>Retakaful share SAR'000</i>	<i>Net SAR'000</i>
Family Takaful outstanding claims			
- Outstanding claim reserves	6,661	(4,615)	2,046
- Incurred but not reported reserve and other reserves	14,353	(10,102)	4,251
General Takaful outstanding claims			
- Outstanding claim reserves	37,225	(36,415)	810
- Incurred but not reported reserve and other reserves	11,947	(3,524)	8,423
Total outstanding claims	70,186	(54,656)	15,530

7. MOVEMENT IN RESERVE FOR TAKAFUL ACTIVITIES AND NET UNEARNED CONTRIBUTION INCOME

a) Movement in reserve for takaful activities

	<i>Six months ended 30 June 2015 (Unaudited) SAR'000</i>	<i>Year ended 31 December 2014 (Audited) SAR'000</i>
Balance as at the beginning of the period/ year	389,166	447,129
Changes in reserve during the period/ year	19,397	(59,781)
Planholder charges	(13,506)	(25,022)
Net change in fair value of investments	11,469	26,840
Balance as at the end of the period/ year	406,526	389,166

The reserve for takaful activities represents the unit linked takaful plan reserve.

b) Movement in net unearned contribution

	<i>Six months ended 30 June 2015 (Unaudited)</i>		
	<i>Gross SAR'000</i>	<i>Retakaful share SAR'000</i>	<i>Net SAR'000</i>
Balance as at the beginning of the period	20,310	(12,848)	7,462
Contribution written during the period	39,539	(24,967)	14,572
Contribution earned during the period	(42,592)	26,913	(15,679)
Balance as at the end of the period	17,257	(10,902)	6,355

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7. MOVEMENT IN RESERVE FOR TAKAFUL ACTIVITIES AND UNEARNED CONTRIBUTION INCOME (continued)

b) Movement in net unearned contribution (continued)

	Year ended 31 December 2014 (Audited)		
	Gross SAR'000	Retakaful share SAR'000	Net SAR'000
Balance as at the beginning of the year	20,928	(11,671)	9,257
Contribution written during the year	83,667	(51,917)	31,750
Contribution earned during the year	(84,285)	50,740	(33,545)
Balance as at the end of the year	<u>20,310</u>	<u>(12,848)</u>	<u>7,462</u>

8. SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, business segments have been approved by management in respect of the Company's activities. The Company's gross written contribution and planholder charges, net written contribution and planholder charges, net contributions earned and planholder charges, fees and commission income, net claims incurred, surrenders and maturities, policy acquisition costs, underwriting surplus, investment income, general and administrative expenses, net surplus/ (deficit), surplus from takaful operations after shareholders' appropriation, net profit, amortisation, depreciation, intangible assets, motor vehicle, available for sale investments, contribution receivables, net, retakaful share of outstanding claims and unearned contributions, deferred policy acquisition costs, total assets, reserve for takaful activities, gross unearned contributions, gross outstanding claims, unearned commission income, and total liabilities, by business segment, are stated below.

Segment assets do not include prepayments and other receivables, cash and cash equivalents and due from shareholders. Accordingly they are included in unallocated assets.

Segment liabilities do not include surplus distribution payable, retakaful balances payable-net, payables, accruals and others and provision for employees' end of service benefits. Accordingly they are included in unallocated liabilities.

The unallocated assets and unallocated liabilities are not separately reported to chief operating decision maker under the related segments and are monitored on centralised basis.

SABB Takaful Company (A Saudi Joint Stock Company)

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8. SEGMENTAL INFORMATION (continued)

	<i>Shareholders' Fund SAR'000</i>	<i>Individual Family SAR'000</i>	<i>Group Family SAR'000</i>	<i>General Takaful SAR'000</i>	<i>Total SAR'000</i>
For the three months ended					
30 June 2015 (Unaudited)					
Gross written contribution	-	29,966	13,801	5,615	49,382
Net written contribution and Planholder charges	-	36,229	5,700	1,407	43,336
Net contributions earned and Planholder charges	-	28,381	5,904	1,647	35,932
Fees and commission income	-	224	399	1,107	1,730
Net claims incurred	-	72	(2,656)	1,015	(1,569)
Surrenders and maturities	-	(22,187)	-	-	(22,187)
Policy acquisition costs	-	(888)	(530)	(520)	(1,938)
Underwriting surplus for the period	-	5,602	3,117	3,249	11,968
Investment income	1,201	346	-	3	1,550
General and administrative expenses	(80)	(2,777)	(2,804)	(3,424)	(9,085)
Net surplus/ (deficit) for the period	1,121	3,171	313	(172)	4,433
Surplus from takaful operations after shareholders' appropriation					(331)
Net profit for the period					4,102
Amortisation	106	-	-	-	106
Depreciation	4	-	-	-	4
For the six months ended					
30 June 2015 (Unaudited)					
Gross written contribution	-	59,385	27,606	11,933	98,924
Net written contribution and Planholder charges	-	72,187	11,732	2,840	86,759
Net contributions earned and Planholder charges	-	52,790	12,062	3,617	68,469
Fees and commission income	-	224	399	2,091	2,714
Net claims incurred	-	(6)	(4,826)	952	(3,880)
Surrenders and maturities	-	(40,076)	-	-	(40,076)
Policy acquisition costs	-	(1,873)	(546)	(1,224)	(3,643)
Underwriting surplus for the period	-	11,059	7,089	5,436	23,584
Investment income	2,430	690	-	7	3,127
General and administrative expenses	(677)	(5,773)	(5,645)	(6,759)	(18,854)
Net surplus/ (deficit) for the period	1,753	5,976	1,444	(1,316)	7,857
Surplus from takaful operations after shareholders' appropriation					(610)
Net profit for the period					7,247
Amortisation	205	-	-	-	205
Depreciation	8	-	-	-	8

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8. SEGMENTAL INFORMATION (continued)

	<i>Shareholders' Fund SAR'000</i>	<i>Individual Family SAR'000</i>	<i>Group Family SAR'000</i>	<i>General Takaful SAR'000</i>	<i>Total SAR'000</i>
30 June 2015					
Intangible assets	1,323	-	-	-	1,323
Motor vehicle	57	-	-	-	57
Takaful operations' assets					
Available-for-sale investments	-	416,019	-	-	416,019
Contribution receivables, net	-	-	1,844	2,214	4,058
Retakaful share of outstanding claims	-	294	16,414	41,981	58,689
Retakaful share of unearned contributions	-	-	1,520	9,382	10,902
Deferred policy acquisition costs	-	-	523	1,229	1,752
Unallocated assets	-	-	-	-	42,523
Total takaful operations' assets					533,943
Total shareholders' assets	365,076	-	-	-	365,076
Total assets					899,019
Takaful operations' liabilities					
Reserve for takaful activities	-	406,526	-	-	406,526
Gross unearned contributions	-	-	4,635	12,622	17,257
Unearned commission income	-	-	-	2,345	2,345
Gross outstanding claims	-	878	21,842	49,873	72,593
Unallocated liabilities	-	-	-	-	34,612
Total takaful operations' liabilities					533,333
Total shareholders' liabilities	4,426	-	-	-	4,426
Total liabilities					537,759
For the three months ended					
30 June 2014 (Unaudited)					
Gross written contribution	-	31,542	15,230	6,407	53,179
Net written contribution and Planholder charges	-	37,762	6,655	3,093	47,510
Net contributions earned and Planholder charges	-	53,668	5,944	2,338	61,950
Fees and commission income	-	471	1,168	1,088	2,727
Net claims incurred	-	(81)	(2,557)	1,492	(1,146)
Surrenders and maturities	-	(47,333)	-	-	(47,333)
Policy acquisition costs	-	(1,121)	(1,794)	(541)	(3,456)
Underwriting surplus for the period	-	5,604	2,761	4,377	12,742
Investment income	1,401	362	-	10	1,773
General and administrative expenses	(286)	(3,159)	(2,599)	(3,251)	(9,295)
Net surplus for the period	1,115	2,807	162	1,136	5,220
Surplus from takaful operations after shareholders' appropriation					(411)
Net profit for the period					4,809
Amortisation	82	-	-	-	82

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30 June 2015

8. SEGMENTAL INFORMATION (continued)

	<i>Shareholders' Fund SAR'000</i>	<i>Individual Family SAR'000</i>	<i>Group Family SAR'000</i>	<i>General Takaful SAR'000</i>	<i>Total SAR'000</i>
For the six months ended					
30 June 2014 (Unaudited)					
Gross written contribution	-	56,264	28,843	10,599	95,706
Net written contribution and Planholder charges	-	68,806	12,041	5,321	86,168
Net contributions earned and Planholder charges	-	98,475	11,031	5,961	115,467
Fees and commission income	-	471	3,624	2,958	7,053
Net claims incurred	-	(572)	(5,881)	(1,024)	(7,477)
Surrenders and maturities	-	(85,468)	-	-	(85,468)
Policy acquisition costs	-	(2,093)	(4,128)	(1,260)	(7,481)
	<u>-</u>	<u>10,813</u>	<u>4,646</u>	<u>6,635</u>	<u>22,094</u>
Underwriting surplus for the period	-	10,813	4,646	6,635	22,094
Investment income	2,813	701	-	10	3,524
General and administrative expenses	(975)	(5,113)	(5,023)	(6,290)	(17,401)
	<u>1,838</u>	<u>6,401</u>	<u>(377)</u>	<u>355</u>	<u>8,217</u>
Net surplus/ (deficit) for the period					
Surplus from takaful operations after shareholders' appropriation					(638)
Net profit for the period					<u>7,579</u>
Purchase of intangible assets	381	-	-	-	381
Amortisation	156	-	-	-	156
	<u>381</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>381</u>
31 December 2014 (Audited)					
Intangible assets	1,194	-	-	-	1,194
Motor vehicle	65	-	-	-	65
	<u>1,194</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,194</u>
Takaful operations' assets					
Available-for-sale investments	-	398,747	-	-	398,747
Contribution receivables, net	-	-	2,417	9,416	11,833
Retakaful share of outstanding claims	-	512	14,204	39,940	54,656
Retakaful share of unearned contributions	-	-	1,926	10,922	12,848
Deferred policy acquisition costs	-	-	439	972	1,411
Unallocated assets	-	-	-	-	44,219
	<u>-</u>	<u>398,747</u>	<u>19,086</u>	<u>51,350</u>	<u>557,930</u>
Total takaful operations' assets					523,714
Total shareholders' assets	366,790	-	-	-	366,790
	<u>366,790</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>366,790</u>
Total assets					<u>890,504</u>
Takaful operations' liabilities					
Reserve for takaful activities	-	389,166	-	-	389,166
Gross unearned contributions	-	-	5,373	14,937	20,310
Unearned commission income	-	-	-	2,263	2,263
Gross outstanding claims	-	1,599	19,415	49,172	70,186
Unallocated liabilities	-	-	-	-	40,198
	<u>-</u>	<u>389,166</u>	<u>19,415</u>	<u>66,372</u>	<u>554,119</u>
Total takaful operations' liabilities					522,123
Total shareholders' liabilities	11,065	-	-	-	11,065
	<u>11,065</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,065</u>
Total liabilities					<u>533,188</u>

All of the Company's operating assets and principal activities are located in the Kingdom of Saudi Arabia.

SABB Takaful Company (A Saudi Joint Stock Company)

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9. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share amounts are calculated by dividing the net profit for the period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding at the reporting date as follows:

	<i>Three months ended 30 June 2015 SAR'000 (Unaudited)</i>	<i>Three months ended 30 June 2014 SAR'000 (Unaudited)</i>	<i>Six months ended 30 June 2015 SAR'000 (Unaudited)</i>	<i>Six months ended 30 June 2014 SAR'000 (Unaudited)</i>
Net profit for the period (SAR'000)	4,102	4,809	7,247	7,579
Weighted average number of ordinary share (Number in thousands)	34,000	34,000	34,000	34,000
Profit per share (SAR)	0.12	0.14	0.21	0.22

10. RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's Board of Directors.

a) Transactions with related parties

The summary of major related party transactions is as follows:

	<i>Three months ended 30 June 2015 SAR'000 (Unaudited)</i>	<i>Three months ended 30 June 2014 SAR'000 (Unaudited)</i>	<i>Six months ended 30 June 2015 SAR'000 (Unaudited)</i>	<i>Six months ended 30 June 2014 SAR'000 (Unaudited)</i>
The Saudi British Bank <i>(a shareholder of the Company)</i>				
Contributions	10,255	12,687	20,356	22,729
Claims paid	6,755	7,490	12,699	18,161
Other expenses				
- IT maintenance cost and related expenses	1,097	1,564	2,555	3,143
- Overheads	123	43	124	85
Amlak International Real Estate and Development <i>(Managing director of Amlak was a board member of the Company)</i>				
Contributions	371	17	688	99
Claims paid	-	-	-	14
Other entities controlled, jointly controlled or significantly influenced by related parties				
Policy acquisition costs paid	1,846	3,456	3,828	7,481
Rebate on unit-linked investments	330	341	656	680

'Other expenses' include costs for various services under a management agreement between Saudi British Bank (SABB) and the Company. As per the agreement, SABB will provide operational services to the Company including use of fixed assets and IT infrastructure at a consideration mutually agreed between the parties.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2015

10. RELATED PARTY TRANSACTIONS (continued)

b) Compensation of key management personnel

Key management personnel of the Company include all directors, executive and non-executive, and senior management. The summary of compensation of key management personnel for the period is as follows.

	<i>Three months period ended 30 June 2015 SAR'000 (Unaudited)</i>		<i>Three months period ended 30 June 2014 SAR'000 (Unaudited)</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>	<i>Takaful Operations</i>	<i>Shareholders</i>
Salaries and other benefits	942	-	952	-
End-of-service benefits	47	-	70	-
	<u>989</u>	<u>-</u>	<u>1,022</u>	<u>-</u>

	<i>Six months period ended 30 June 2015 SAR'000 (Unaudited)</i>		<i>Six months period ended 30 June 2014 SAR'000 (Unaudited)</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>	<i>Takaful Operations</i>	<i>Shareholders</i>
Salaries and other benefits	1,884	-	1,772	-
End-of-service benefits	94	-	94	-
	<u>1,978</u>	<u>-</u>	<u>1,866</u>	<u>-</u>

11. CONTINGENCIES

The Company is subject to litigation in the normal course of its business. During the quarter ended 30 June 2012, a legal case amounting to SR 65.88 million, which significantly exceeds the claim amount, was filed against the Company by a policyholder disputing the claim amount under a policy. Based on an independent legal advice, the Company does not believe that policyholder has a valid claim and as a result, as at 30 June 2015, has not made any further provision in excess of the amount deemed appropriate under the said policy. Based on the legal advice, out of SAR 65.88 million, the Company has recorded a provision amounting to SAR 22.92 million for the said claim. The hearing process is in progress with SAMA Committee for Resolution of Insurance Disputes and Violations.

12. ZAKAT AND TAX

Status of Assessment

During the quarter ended 31 March 2015, the Department of Zakat and Income Tax (DZIT) has issued the final tax certificates for the years from 2008 to 2010. Further, DZIT has yet to commence its review for the years from 2011 to 2014.

13. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors on 7 Shawwal 1436H corresponding to 23 July 2015.