
**AL AHLI TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
30 SEPTEMBER 2012**

**AL AHLI TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2012**

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REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS**THE SHAREHOLDERS
AL AHLI TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)
KINGDOM OF SAUDI ARABIA****Scope of review**

We have reviewed the accompanying interim statement of financial position of Al Ahli Takaful Company - a Saudi Joint Stock Company (the "Company") as at 30 September 2012, and the related interim statements of insurance operations and accumulated surplus, shareholders' operations and comprehensive income for the three month and nine month periods then ended, and the related statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the nine month period then ended. 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 review in accordance with the Standard on Review of Interim Financial Information 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 Generally Accepted Auditing Standards in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

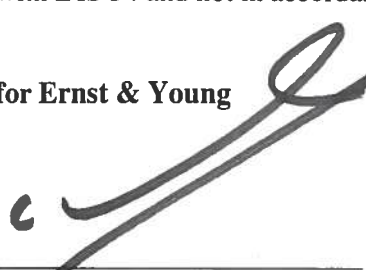
Conclusion

Based on our 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 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 Information issued by SOCPA.

for Ernst & Young


Ahmed I. Reda
Certified Public Accountant
Licence No. 356

for KPMG Al Fozan & Al Sadhan

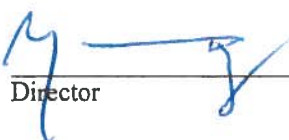

Ebrahim Oboud Baeshen
Certified Public Accountant
Licence No. 382Jeddah, Kingdom of Saudi Arabia
5 Dhul Hijjah 1433H
21 October 2012

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

		30 September 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000
	Notes		
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	20,717	28,580
Trading investments held to cover unit-linked liabilities	4	459,330	344,972
Due from Shareholders' Operations		-	317
Gross contribution receivable from a related party	8	125	959
Allowances for doubtful receivables		-	(240)
Net contribution receivable		125	719
Accrued income		312	-
Prepayments and other receivables		813	-
Reinsurance share of unearned contribution		1,527	698
Reinsurance share of outstanding benefits		18	536
Furniture, fittings and office equipment		2,331	-
Total Insurance Operations' assets		485,173	375,822
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	108	82,868
Trading investments	4	122,088	50,370
Due from a related party	8	-	200
Due from Insurance Operations		1,850	-
Prepayments and other receivables		124	119
Furniture, fittings and office equipment		-	3,656
Statutory deposit	11	16,667	10,000
Total Shareholders' assets		140,837	147,213
TOTAL ASSETS		626,010	523,035


Director


Chief Financial Officer


Chief Executive Officer

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

INTERIM STATEMENT OF FINANCIAL POSITION (continued)

As at 30 September 2012

		30 September 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000
	Notes		
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance Operations' liabilities			
Technical reserve for Insurance Operations	6	462,242	355,909
Unearned contribution – gross		2,190	780
Outstanding claims – gross		20	596
Reinsurance balances payable		5,805	9,858
Deferred commission revenue – group and credit life		-	179
Due to related parties	8	1,752	680
Due to Shareholders' Operations		1,850	-
Contributions received in advance		1,118	1,548
Accruals and other payables		8,780	5,250
Employees' end of service benefits		670	-
Total Insurance Operations' liabilities		484,427	374,800
Insurance Operations' surplus			
Surplus from Insurance Operations		746	1,022
Total Insurance Operations' liabilities and surplus		485,173	375,822
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accruals and other payables		1,100	6,672
Due to Insurance Operations		-	317
Accrued Zakat	5	5,460	4,008
Employees' end of service benefits		-	623
Total shareholders' liabilities		6,560	11,620
Shareholders' equity			
Share capital	10	166,667	100,000
Increase in share capital	10	-	66,667
Statutory reserve		7,874	7,874
Accumulated losses		(40,264)	(38,948)
Total shareholders' equity		134,277	135,593
Total shareholders' liabilities and equity		140,837	147,213
TOTAL INSURANCE OPERATIONS' LIABILITIES, SURPLUS, SHAREHOLDERS' LIABILITIES AND EQUITY		626,010	523,035

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED
SURPLUS (UNAUDITED)

For the three-month and nine-month periods ended 30 September 2012

	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
INSURANCE REVENUE				
Gross contributions	37,934	42,024	122,994	136,397
Investible contribution, net	(27,919)	(32,172)	(91,029)	(101,241)
Net insurance contributions	10,015	9,852	31,965	35,156
Reinsurance ceded	(3,153)	(1,949)	(10,177)	(6,974)
Net written contributions	6,862	7,903	21,788	28,182
Change in net unearned contribution	(221)	-	(664)	-
Net insurance revenue	6,641	7,903	21,124	28,182
CLAIMS AND EXPENSES				
Gross claims paid	(982)	(797)	(5,186)	(2,001)
Reinsurance share of claims paid	883	717	4,681	1,801
Net claims paid	(99)	(80)	(505)	(200)
Change in net outstanding claims provision (note 7)	(27)	(17)	(106)	(85)
Net claims incurred	(126)	(97)	(611)	(285)
Acquisition fee paid to the distributing shareholder	(404)	(1,411)	(1,734)	(7,085)
Entrance fee paid to the technical and distributing shareholders	(462)	(1,546)	(1,985)	(5,871)
Administration fee paid to the distributing shareholder	(2,608)	(2,624)	(7,866)	(7,613)
Acquisition and administration fee paid to shareholders' operations	-	(1,662)	-	(5,653)
Supervision and inspection fee	(286)	(302)	(919)	(958)
Other direct underwriting expenses	(67)	(74)	(216)	(226)
Management fee - Wakala fee	-	(40)	-	(111)
Total claims and expenses	(3,953)	(7,756)	(13,331)	(27,802)
Underwriting surplus for the period	2,688	147	7,793	380
Investment fund fee	873	-	2,348	-
General and administration expenses	(2,993)	-	(8,644)	-
Surplus for the period from Insurance Operations	568	147	1,497	380
Shareholders' share of surplus from Insurance Operations	(511)	-	(1,347)	-
Policyholders' share of surplus for the period	57	147	150	380
Accumulated policyholders' surplus at the beginning of the period	689	940	1,022	707
Policyholders' surplus distributed during the period	-	-	(426)	-
ACCUMULATED POLICYHOLDERS' SURPLUS AT THE END OF THE PERIOD	746	1,087	746	1,087

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
INTERIM STATEMENT OF SHAREHOLDERS OPERATIONS (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2012

	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Shareholders' share of surplus from Insurance Operations	511	-	1,347	-
Share of acquisition and administration fee from Insurance Operations	-	1,662	-	5,653
Unrealised gain/(loss) on investment	1,062	(911)	904	(988)
Realised gain/(loss) on investment	-	-	34	(1)
Investment fund fee	-	786	-	1,548
Management fee	-	40	-	111
Total income	1,573	1,577	2,285	6,323
General and administration expenses	(682)	(3,754)	(2,046)	(10,492)
NET INCOME/(LOSS) FOR THE PERIOD	891	(2,177)	239	(4,169)
Weighted average number of ordinary shares outstanding (in thousands)	16,667	10,000	14,964	10,000
Net income/(loss) per share for the period (SR)	0.05	(0.22)	0.02	(0.42)

Director

Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three-month and nine-month periods ended 30 September 2012

	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
NET INCOME/(LOSS) FOR THE PERIOD	891	(2,177)	239	(4,169)
OTHER COMPREHENSIVE INCOME/(EXPENSE)	-	-	-	-
Zakat for the period	<u>(519)</u>	<u>(250)</u>	<u>(1,555)</u>	<u>(624)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>372</u>	<u>(2,427)</u>	<u>(1,316)</u>	<u>(4,793)</u>

Director

Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
For the nine-month period ended 30 September 2012

For the nine-month period ended 30 September 2012

	Share capital SR '000	Increase in share capital SR '000	Statutory reserve SR '000	Accumulated losses SR '000	Total SR '000
Balance as at 31 December 2011 (audited)	100,000	66,667	7,874	(38,948)	135,593
Transfer to share capital (note 10.2)	66,667	(66,667)	-	-	-
Net income for the nine-month period	-	-	-	239	239
Zakat for the nine-month period	-	-	-	(1,555)	(1,555)
Balance at 30 September 2012 (unaudited)	166,667	-	7,874	(40,264)	134,277

For the nine-month period ended 30 September 2011

	Share capital SR '000	Increase in share capital SR '000	Statutory reserve SR '000	Accumulated losses SR '000	Total SR '000
Balance as at 31 December 2010 (audited)	100,000	-	-	(33,169)	66,831
Net loss for the nine-month period	-	-	-	(4,169)	(4,169)
Zakat for the nine-month period	-	-	-	(624)	(624)
Balance at 30 September 2011 (unaudited)	100,000	-	-	(37,962)	62,038

Director

Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS (UNAUDITED)
For the nine-month period ended 30 September 2012

	Notes	Nine-month period ended 30 September	
		2012 SR'000	2011 SR'000
OPERATING ACTIVITIES			
Policyholders' share of surplus for the period		150	380
Adjustment for the period:			
Depreciation		1,360	-
Employees' end of service benefits, net		47	-
Unrealised (gain)/loss on trading investments held to cover unit-linked liabilities		(12,657)	17,619
Reinsurance share of unearned contribution		(829)	(698)
Unearned contribution – gross		1,410	780
Deferred commission revenue – group and credit life		(179)	456
		(10,698)	18,537
Changes in operating assets and liabilities:			
Trading investments held to cover unit-linked liabilities		(101,701)	(99,177)
Due to Shareholders' Operations		1,073	(215)
Net contribution receivable		594	(959)
Accrued income		(112)	-
Prepayments and other receivables		(710)	-
Reinsurance share of outstanding benefits		518	(215)
Technical reserve for Insurance Operations		106,333	83,543
Outstanding benefits – gross		(576)	239
Reinsurance balances payable		(4,053)	5,115
Due to related parties		1,059	(102)
Contributions received in advance		(430)	10,840
Accruals and other payables		1,301	514
Net cash (used in)/from operating activities		(7,402)	18,120
INVESTING ACTIVITY			
Purchase of furniture, fittings and office equipment		(35)	-
FINANCING ACTIVITY			
Surplus distributed		(426)	-
Net (decrease)/increase in cash and cash equivalents		(7,863)	18,120
Cash and cash equivalents at the beginning of the period		28,580	10,518
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		20,717	28,638

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS (UNAUDITED)
For the nine-month period ended 30 September 2012

	Notes	Nine-month period ended 30 September	
		2012 SR'000	2011 SR'000
OPERATING ACTIVITIES			
Net income/(loss) for the period		239	(4,169)
Adjustments for the period:			
Depreciation		-	1,332
Employees' end of service benefits, net		-	(68)
Realised (gain)/loss on trading investments		(34)	1
Unrealised (gain)/loss on trading investments		(904)	988
		(699)	(1,916)
Changes in operating assets and liabilities:			
Due from a related party		-	(400)
Prepayments and other receivables		(108)	198
Due from Insurance Operations		(1,073)	215
Accruals and other payables		(3,330)	(1,942)
Zakat paid	5	(103)	-
Net cash used in operating activities		(5,313)	(3,845)
INVESTING ACTIVITIES			
Purchase of furniture, fittings and office equipment		-	(263)
Purchase of trading investments		(77,447)	-
Redemption of trading investments		6,667	3,500
Increase in statutory deposit		(6,667)	-
Net cash (used in)/from investing activities		(77,447)	3,237
Net decrease in cash and cash equivalents		(82,760)	(608)
Cash and cash equivalents at the beginning of the period		82,868	1,066
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		108	458


Director


Chief Financial Officer


Chief Executive Officer

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2012

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

- 1.1 Al Ahli Takaful Company (the “Company”) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030171573 dated 21 Rajab 1428H, corresponding to 4 August 2007. The following is the address of the Company’s registered office:

P. O. Box 48510,
Al Khalidiyah Business Center,
Prince Sultan Street,
Jeddah 21582,
Kingdom of Saudi Arabia.

The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. The Company commenced its commercial operations on 4 February 2008. The Company was listed on the Saudi stock market on 18 August 2007.

As at the date of incorporation, the Company is owned 66.25% by Saudi founding shareholders and general public, and 33.75% by non-Saudi shareholders.

1.2 *Modification of products terms and conditions*

Prior to 1 January 2012, the Company had been conducting its business under Takaful model. The Company has implemented the cooperative insurance model with effect from 1 January 2012 based on the instructions received from the Saudi Arabian Monetary Agency (“SAMA”). Consequently, the Company has discontinued paying acquisition and administration fee to the shareholders’ operations. Furthermore, the general and administration expenses, which were earlier accounted by shareholders’ operation are now accounted by the insurance operations. Had the Company continued with the Takaful model, the assets, liabilities of the insurance operations and shareholders’ operations, insurance operations’ surplus and shareholders’ equity as at 30 September 2012, and the policyholders’ share of surplus and shareholders net income for the period ended 30 September 2012 would not have been materially different.

Certain figures of prior period have been reclassified to conform with the current period’s presentation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) *Basis of presentation*

The interim condensed financial statements of the Company have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting (IAS 34). The 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 annual financial statements.

The accounting policies adopted by the Company for the preparation of these interim condensed financial statements are in accordance with International Financial Reporting Standards (IFRS) and are consistent with those used for the preparation of annual financial statements. The adoption of new and amended IFRS and International Financial Reporting Interpretations Committee Interpretations (IFRIC) by the Company as mentioned in note 2(b), did not have any impact on these interim condensed financial statements.

The preparation of interim condensed financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the interim condensed financial statements and the reported amounts of revenues and expenses during the interim reported period. Although these estimates and judgements are based on management’s best knowledge of current events and actions, actual results ultimately may differ from those estimates. In the opinion of the management, the interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim period presented.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of presentation (continued)

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

As required by Saudi Arabian Insurance Regulations, the Company maintains separate books of account for the Insurance Operations and Shareholders' Operations. 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 has been determined by the management and approved by the Board of Directors.

The surplus arising from the Insurance Operations is distributed as follows:

Shareholders	90%
Policyholders	10%
	<hr/>
	100%
	<hr/>

The Company follows a fiscal year ending 31 December.

b) New IFRS, IFRIC and amendments thereof, adopted by the Company

The Company has adopted the following amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB):

Standard/ Interpretation	Description
IFRS 1	First-time adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosure for First-time Adopters.
IFRS1	First-time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters.
IFRS 7	Amendments to IFRS 7 Financial Instruments: Disclosures
IFRIC 14	Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
IAS 1	Amendments to IAS 1 Presentation of items of Other Comprehensive Income
IAS 12	Amendments to Income taxes – Deferred taxes: Recovery of underlying assets
IAS 24	Revision to IAS 24 Related Party Disclosures

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2012

c) Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.

<i>Standard/ Interpretation</i>	<i>Description</i>	<i>Effective from periods beginning on or after the following date</i>
IFRS 1	Amendment to IFRS 1 Government Loans	1 January 2013
IFRS 9	Financial Instruments – Classification & Measurement	1 January 2015
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements: Investments in Associates & Joint ventures	1 January 2013
IFRS 12	Disclosures of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine.	1 January 2013
IAS 19	Revision to IAS 19 Employee benefits	1 January 2013
IAS 32	Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014

3 CASH AND CASH EQUIVALENTS

	<i>30 September 2012 (Unaudited) SR'000</i>	<i>31 December 2011 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Cash in hand	5	-
Cash at bank	20,712	28,580
	<u>20,717</u>	<u>28,580</u>
<i>Shareholders' Operations</i>		
Cash in hand	-	5
Cash at banks (Note 3.1)	108	82,863
	<u>108</u>	<u>82,868</u>

- 3.1 Cash at banks as at 31 December 2011 included an amount of SR 79,922 thousands, which represented proceeds from rights issue (note 10), which were held by a bank in an escrow account, for and on behalf of the Company. The amount has been credited to the Company's bank account on completion of the legal procedures to reflect the increase in share capital, during the nine month period ended 30 September 2012.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2012

4 TRADING INVESTMENTS

	30 September 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000
Insurance Operations		
Al Manarah Conservative Growth Strategy	279,247	213,415
Al Manarah Medium Growth Strategy	106,747	78,424
Al Manarah High Growth Strategy	73,336	53,133
	<u>459,330</u>	<u>344,972</u>

Investments of Insurance Operations comprise units of short-term Murabaha Funds, denominated in United States Dollars, which are managed by a subsidiary of the Company's major shareholder.

	30 September 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000
Shareholders' Operations		
Al Ahli Takaful Discretionary Portfolio	<u>122,088</u>	<u>50,370</u>

Trading investments of Shareholders' Operations represent investments in a discretionary portfolio, invested as per the Saudi Arabian Monetary Agency's guidelines managed by a subsidiary of the Company's major shareholder.

The movement in the trading investments during the nine-month period ended 30 September 2012 and the year ended 31 December 2011 is as follows:

	30 September 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000
Insurance Operations		
Balance at the beginning of the period/year	344,972	228,049
Purchased during the period/year	101,701	133,077
Unrealised gain/(loss) during the period/year	12,657	(16,154)
	<u>459,330</u>	<u>344,972</u>
Shareholders' Operations		
Balance at the beginning of the period/year	50,370	58,110
Purchased during the period/year	77,447	-
Redemption during the period/year	(6,667)	(7,000)
Realised gain/(loss) during the period/year	34	(44)
Unrealised gain/(loss) during the period/year	904	(696)
	<u>122,088</u>	<u>50,370</u>

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2012

5 ZAKAT AND INCOME TAX

The Zakat and income tax payable by the Company has been calculated based on the best estimates of the management.

The movement in Zakat and income tax payable during the nine-month period ended 30 September 2012 and the year ended 31 December 2011 is as follows:

	<i>30 September 2012 (Unaudited) SR'000</i>	<i>31 December 2011 (Audited) SR'000</i>
Balance at the beginning of the period/year	4,008	3,126
Charge for the period/year	1,555	882
Payment during the period/year	(103)	-
	<hr/>	<hr/>
Balance at the end of the period/year	5,460	4,008
	<hr/>	<hr/>

Status of assessments

Zakat and income tax returns have been submitted to Department of Zakat and Income Tax (DZIT) for the period ended 31 December 2007 and for the years ended 31 December 2008 through 2011.

During 2012, the DZIT raised assessment for the period ended 31 December 2007 and for the years ended 31 December 2008 and 2009 demanding additional Zakat and Withholding tax liability of SR 3,997,397. The Company has filed an appeal against additional Zakat of SR 3,920,831 and paid additional Withholding tax of SR 76,566 together with a delay penalty of SR 26,093 under protest and is confident of a favourable outcome.

Assessments for the years 2009 through 2011 have not yet been raised by the DZIT. However, during 2011, the DZIT issued an initial assessment for the year ended 31 December 2010 disallowing investments from the Zakat base with an additional Zakat liability of SR 1,050,759. The Company filed an appeal against the initial assessment and is confident of a favourable outcome.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2012

6 TECHNICAL RESERVE FOR INSURANCE OPERATIONS

- a) A technical reserve for Insurance Operations is created, as per the report received from the Actuary, as detailed below:

	<i>30 September 2012 (Unaudited) SR'000</i>	<i>31 December 2011 (Audited) SR'000</i>
Technical reserve relating to the Participant Investment Strategies (unit liability)	461,676	354,585
Allowance for the retained risk	271	1,143
Incurred But Not Reported (IBNR) reserves	295	181
	<u>462,242</u>	<u>355,909</u>

- b) Movement in technical reserve for insurance operations is as follows:

	<i>30 September 2012 (Unaudited) SR'000</i>	<i>31 December 2011 (Audited) SR'000</i>
Balance as at the beginning of the period/year	355,909	229,217
Change in reserve	164	182
Unrealized gain/(loss) on investment (note 4)	12,657	(16,154)
Change in net investible contribution	91,029	142,804
Surplus distribution (Note 6.1)	2,599	-
Other	(116)	(140)
	<u>462,242</u>	<u>355,909</u>

- 6.1 The amount represents distribution of profit share received from the reinsurers for the year ended 31 December 2010. The Company has obtained approval from SAMA during 2012 and distributed this amount to the policyholders in the form of additional units in the trading investments held to cover unit-linked liabilities.

7 MOVEMENT IN NET OUTSTANDING CLAIMS PROVISION

	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
	<i>2012 (Unaudited) SR'000</i>	<i>2011 (Unaudited) SR'000</i>	<i>2012 (Unaudited) SR'000</i>	<i>2011 (Unaudited) SR'000</i>
Change in outstanding claims – Gross	(111)	41	(576)	239
Change in outstanding claims – Reinsurance	99	(37)	518	(215)
Change in Incurred But Not Reported claims (IBNR)	39	13	164	61
	<u>27</u>	<u>17</u>	<u>106</u>	<u>85</u>
Movement in net outstanding claims provision	27	17	106	85

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

At 30 September 2012

8 RELATED PARTY TRANSACTIONS AND BALANCES

The following are the details of major related party transactions during the nine-month period ended 30 September 2012 and 2011:

Related party	Nature of transactions	Amount of transactions	
		2012 (Unaudited) SR'000	2011 (Unaudited) SR'000
Insurance Operations			
Shareholder	Gross Group Life Insurance contribution	3,675	3,340
Shareholder	Gross Group Credit Life contribution	4,150	1,918
Shareholder	Gross Group Credit cards contribution	4,265	-
Shareholder	Acquisition fee paid for distributing the products	1,734	7,085
Shareholders	Entrance fee	1,985	5,871
Shareholders	Administration fee	7,866	7,613
Shareholder	Fee from Investment Fund Manager	2,348	-
Key management personnel	Short-term benefits	3,157	2,923
Key management personnel	End of service benefits	114	109
Shareholders' Operations			
Shareholder	Fee from Investment Fund Manager	-	1,548

Gross contribution receivable from a related party and amount due from and due to related parties are shown in the Interim Statement of Financial Position.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2012

9 OPERATING SEGMENT INFORMATION

For management purposes, the activities of Insurance Operations, which are all in the Kingdom of Saudi Arabia, are reported under three business units, as detailed below:

Insurance – individual segment offers life insurance products on an individual basis including unit linked investment oriented products.

Insurance – group life segment offers life protection programmes to the members of organizations on a group basis .

Others segment offers protection benefits in respect of various credit facilities extended by the financing organizations to its customers.

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

	<i>Three-month period ended 30 September 2012</i>			
	<i>Insurance - individual SR '000</i>	<i>Insurance- group life SR '000</i>	<i>Other SR '000</i>	<i>Total SR '000</i>
INSURANCE REVENUE				
Gross contributions	33,979	140	3,815	37,934
Investible contribution, net	(27,844)	67	(142)	(27,919)
Net insurance contributions	6,135	207	3,673	10,015
Reinsurance ceded	(1,099)	(103)	(1,951)	(3,153)
Net written contributions	5,036	104	1,722	6,862
Change in net unearned contribution	-	203	(424)	(221)
Net insurance revenue	5,036	307	1,298	6,641
CLAIMS AND EXPENSES				
Gross claims paid	(100)	(650)	(232)	(982)
Reinsurance share of claims paid	89	585	209	883
Net claims paid	(11)	(65)	(23)	(99)
Change in net outstanding claims provision	12	(2)	(37)	(27)
Net claims incurred	1	(67)	(60)	(126)
Acquisition fee paid to the distributing shareholder	(404)	-	-	(404)
Entrance fee paid to the technical and distributing shareholders	(462)	-	-	(462)
Administration fee paid to the distributing shareholder	(2,608)	-	-	(2,608)
Supervision and inspection fee	(267)	-	(19)	(286)
Other direct underwriting expenses	(67)	-	-	(67)
Total claims and expenses	(3,807)	(67)	(79)	(3,953)
Underwriting surplus for the period	1,229	240	1,219	2,688
Investment fund fee	-	-	-	873
General and administration expenses	-	-	-	(2,993)
Surplus for the period from Insurance Operations				568

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2012

9 OPERATING SEGMENT INFORMATION (continued)

	<i>Three-month period ended 30 September 2011</i>			
	<i>Insurance - individual SR '000</i>	<i>Insurance- group life SR '000</i>	<i>Other SR '000</i>	<i>Total SR '000</i>
INSURANCE REVENUE				
Gross contributions	40,919	235	870	42,024
Investible contribution, net	(32,175)	56	(53)	(32,172)
Net insurance contributions	8,744	291	817	9,852
Reinsurance ceded	(1,204)	(47)	(698)	(1,949)
Net written contributions	7,540	244	119	7,903
CLAIMS AND EXPENSES				
Gross claims paid	(177)	(620)	-	(797)
Reinsurance share of claims paid	159	558	-	717
Net claims paid	(18)	(62)	-	(80)
Change in net outstanding claims provision	(4)	-	(13)	(17)
Net claims incurred	(22)	(62)	(13)	(97)
Acquisition fee paid to the distributing shareholder	(1,411)	-	-	(1,411)
Entrance fee paid to the technical and distributing shareholders	(1,546)	-	-	(1,546)
Administration fee paid to the distributing shareholder	(2,624)	-	-	(2,624)
Acquisition and administration fee paid to shareholders' operations	(1,390)	(172)	(100)	(1,662)
Supervision and inspection fee	(296)	-	(6)	(302)
Other direct underwriting expenses	(74)	-	-	(74)
Management fee - Wakala fee	(30)	(10)	-	(40)
Total claims and expenses	(7,393)	(244)	(119)	(7,756)
Underwriting surplus for the period	147	-	-	147
Surplus for the period from Insurance Operations	147	-	-	147

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2012

9 OPERATING SEGMENT INFORMATION (continued)

	<i>Nine-month period ended 30 September 2012</i>			
	<i>Insurance – individual SR ‘000</i>	<i>Insurance- group life SR ‘000</i>	<i>Other SR ‘000</i>	<i>Total SR ‘000</i>
INSURANCE REVENUE				
Gross contributions	110,904	3,675	8,415	122,994
Investible contribution, net	(90,811)	21	(239)	(91,029)
Net insurance contributions	20,093	3,696	8,176	31,965
Reinsurance ceded	(3,514)	(2,761)	(3,902)	(10,177)
Net written contributions	16,579	935	4,274	21,788
Change in net unearned contribution	-	(242)	(422)	(664)
Net insurance revenue	16,579	693	3,852	21,124
CLAIMS AND EXPENSES				
Gross claims paid	(1,826)	(2,530)	(830)	(5,186)
Reinsurance share of claims paid	1,657	2,277	747	4,681
Net claims paid	(169)	(253)	(83)	(505)
Change in net outstanding claims provision	33	(52)	(87)	(106)
Net claims incurred	(136)	(305)	(170)	(611)
Acquisition fee paid to the distributing shareholder	(1,734)	-	-	(1,734)
Entrance fee paid to the technical and distributing shareholders	(1,985)	-	-	(1,985)
Administration fee paid to the distributing shareholder	(7,866)	-	-	(7,866)
Supervision and inspection fee	(859)	(18)	(42)	(919)
Other direct underwriting expenses	(216)	-	-	(216)
Total claims and expenses	(12,796)	(323)	(212)	(13,331)
Underwriting surplus for the period	3,783	370	3,640	7,793
Investment fund fee	-	-	-	2,348
General and administration expenses	-	-	-	(8,644)
Surplus for the period from Insurance Operations				1,497

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2012

9 OPERATING SEGMENT INFORMATION (continued)

	<i>Nine-month period ended 30 September 2011</i>			
	<i>Insurance - individual SR '000</i>	<i>Insurance- group life SR '000</i>	<i>Other SR '000</i>	<i>Total SR '000</i>
INSURANCE REVENUE				
Gross contributions	132,099	3,428	870	136,397
Investible contribution, net	(101,050)	(138)	(53)	(101,241)
Net insurance contributions	31,049	3,290	817	35,156
Reinsurance ceded	(3,686)	(2,590)	(698)	(6,974)
Net written contributions	27,363	700	119	28,182
CLAIMS AND EXPENSES				
Gross claims paid	(1,081)	(920)	-	(2,001)
Reinsurance share of claims paid	973	828	-	1,801
Net claims paid	(108)	(92)	-	(200)
Change in net outstanding claims provision	(24)	(48)	(13)	(85)
Net claims incurred	(132)	(140)	(13)	(285)
Acquisition fee paid to the distributing shareholder	(7,085)	-	-	(7,085)
Entrance fee paid to the technical and distributing shareholders	(5,871)	-	-	(5,871)
Administration fee paid to the distributing shareholder	(7,613)	-	-	(7,613)
Acquisition and administration fee paid to shareholders' operations	(5,031)	(522)	(100)	(5,653)
Supervision and inspection fee	(934)	(18)	(6)	(958)
Other direct underwriting expenses	(226)	-	-	(226)
Management fee - Wakala fee	(91)	(20)	-	(111)
Total claims and expenses	(26,983)	(700)	(119)	(27,802)
Underwriting surplus for the period	380	-	-	380
Surplus for the period from Insurance Operations	380	-	-	380

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2012

9 OPERATING SEGMENT INFORMATION (continued)

	<i>As at 30 September 2012</i>			
	<i>Insurance - individual SR '000</i>	<i>Insurance- group SR '000</i>	<i>Other SR '000</i>	<i>Total SR '000</i>
INSURANCE OPERATIONS' ASSETS				
Cash and cash equivalents	15,730	1,142	3,845	20,717
Trading investments held to cover unit-linked liabilities	459,330	-	-	459,330
Gross contribution receivable from a related party	-	-	125	125
Allowances for doubtful receivables	-	-	-	-
Net contribution receivable	-	-	125	125
Accrued income	312	-	-	312
Prepayments and other receivables	-	-	-	813
Reinsurance share of unearned contribution	-	1,527	-	1,527
Reinsurance share of outstanding benefits	18	-	-	18
Furniture, fittings and office equipment	-	-	-	2,331
Total Insurance Operations' assets				485,173
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS				
Insurance Operations' liabilities				
Technical reserve for Insurance Operations	461,819	32	391	462,242
Unearned contribution – gross	-	2,190	-	2,190
Outstanding benefits – gross	20	-	-	20
Reinsurance balances payable	2,528	149	3,128	5,805
Due to related parties	-	-	-	1,752
Due to Shareholders Operations	-	-	-	1,850
Contributions received in advance	1,118	-	-	1,118
Accruals and other payables	-	-	-	8,780
Employees' end of service benefits	-	-	-	670
Total Insurance Operations' liabilities				484,427
Surplus from Insurance Operations	-	-	-	746
Total Insurance Operations' liabilities and surplus				485,173

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2012

9 OPERATING SEGMENT INFORMATION (continued)

	<i>As at 31 December 2011</i>			
	<i>Insurance - individual SR '000</i>	<i>Insurance- group SR '000</i>	<i>Other SR '000</i>	<i>Total SR '000</i>
INSURANCE OPERATIONS' ASSETS				
Cash and cash equivalents	25,478	2,409	693	28,580
Trading investments held to cover unit-linked liabilities	344,972	-	-	344,972
Due from shareholders' operations	335	(12)	(6)	317
Gross contribution receivable from a related party	-	-	959	959
Allowance for doubtful receivables	-	-	(240)	(240)
Net Contribution receivable	-	-	719	719
Reinsurance share of unearned contribution	-	-	698	698
Reinsurance share of outstanding benefits	536	-	-	536
Total Insurance Operations' assets	371,321	2,397	2,104	375,822
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS				
Technical reserve for Insurance Operations	355,727	116	66	355,909
Unearned contribution – gross	-	-	780	780
Outstanding benefits – gross	596	-	-	596
Reinsurance balances payable	6,399	2,140	1,319	9,858
Deferred commission revenue – group and credit life	-	-	179	179
Due to related parties	540	140	-	680
Contributions received in advance	1,548	-	-	1,548
Accruals and other payables	5,249	1	-	5,250
Total Insurance Operations' liabilities	370,059	2,397	2,344	374,800
Surplus from Insurance Fund	1,262	-	(240)	1,022
Total Insurance Operations' liabilities and surplus	371,321	2,397	2,104	375,822

10 SHARE CAPITAL

The initial authorised and issued share capital of the Company is SR 100 million divided into 10 million ordinary shares of SR 10 each. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

- 10.1** On 15 February 2011, the Board of Directors of the Company recommended a rights issue of SR 80 million to increase the share capital, which was approved by Saudi Arabian Monetary Agency (SAMA) on 21 May 2011 and by Capital Market Authority on 14 August 2011.

In the extra-ordinary general meeting held on 19 November 2011, the shareholders approved rights issue of SR 80 million. As approved by the regulators, 6,666,667 ordinary shares were offered at an exercise price of SR 12 (SR 10 par value plus SR 2 premium), the subscription period for which started on 26 November 2011 and ended on 4 December 2011. As the legal formalities to increase the share capital of the Company were not completed by 31 December 2011, the proceeds from rights issue were classified as increase in share capital and share premium, amounting to SR 66,667 thousand and SR 13,333 thousand respectively. Subsequently, after adjusting the cost to raise equity of SR 5,459 thousand, the net balance in the share premium account, amounting to SR 7,874 thousand, was transferred to statutory reserve as required by Article 98 of Regulations for Companies.

- 10.2** As the legal formalities have been completed during the nine-month period 30 September 2012, the increase in share capital amounting to SR 66,667 thousand has been classified as share capital.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2012

11 STATUTORY DEPOSIT

As required by Saudi Arabian Insurance Regulations, the Company deposited 10% of its paid up share capital, amounting to SR 16,667 thousand (31 December 2011: SR 10,000 thousand) in AlAhli Diversified Saudi Riyal Trade Fund, denominated in Saudi Arabian Riyal, which is managed by a subsidiary of the Company's major shareholder. The statutory deposit was invested in the above fund after obtaining written approval from SAMA.

12 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors on 5 Dhul Hijjah 1433H, corresponding to 21 October 2012.