
**ALAHLI TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
30 SEPTEMBER 2014**

ALAHLI TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2014

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INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

**THE SHAREHOLDERS
ALAHLI 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 ALAhli Takaful Company - a Saudi Joint Stock Company (the "Company") as at 30 September 2014, and the related interim statements of insurance operations and accumulated surplus, shareholders' operations and comprehensive income for the three-month and nine-month period then ended and the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the nine-month period then ended and related notes from 1 to 12 which form an integral 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 the 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 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 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 Reporting issued by SOCPA.

for KPMG Al Fozan & Al Sadhan

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Corresponding to 27 October 2014



ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

		30 September 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
	<i>Notes</i>		
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	137,033	34,781
Trading investments held to cover unit-linked liabilities	4	678,874	609,459
Contribution receivable		1,408	463
Accrued income	8(b)	428	436
Prepayments and other receivables		685	178
Reinsurance share of outstanding claims		1,431	-
Reinsurance share of unearned contribution		15,339	465
Furniture, fittings and office equipment		614	859
Total Insurance Operations' Assets		835,812	646,641
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	3	200
Trading investments	4	130,529	128,659
Due from Insurance Operations		18,680	4,640
Prepayments and other receivables		4,453	334
Statutory deposit		16,667	16,667
Total Shareholders' Assets		170,332	150,500
TOTAL ASSETS		1,006,144	797,141

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

As at 30 September 2014

		30 September 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
	<u>Notes</u>		
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance Operations' Liabilities			
Technical reserve for Insurance Operations	6	701,189	617,660
Unearned contribution - gross		25,700	853
Outstanding claims - gross		2,112	324
Reinsurance balances payable		56,652	11,768
Due to related parties	8(b)	2,732	71
Due to Shareholders' Operations		18,680	4,640
Contributions received in advance		12,564	535
Accruals and other payables		11,667	9,150
Employees' end of service benefits		893	471
Total Insurance Operations' Liabilities		832,189	645,472
Insurance Operations' Surplus			
Surplus from Insurance Operations		3,623	1,169
Total Insurance Operations' Liabilities and Surplus		835,812	646,641
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' Liabilities			
Accruals and other payables		2,215	1,936
Accrued Zakat and tax	5	11,485	8,925
Total Shareholders' Liabilities		13,700	10,861
Shareholders' Equity			
Share capital		166,667	166,667
Statutory reserve		7,874	7,874
Accumulated losses		(17,909)	(34,902)
Total Shareholders' Equity		156,632	139,639
Total Shareholders' Liabilities and Equity		170,332	150,500
TOTAL INSURANCE OPERATIONS' LIABILITIES, SURPLUS, SHAREHOLDERS' LIABILITIES AND EQUITY		1,006,144	797,141

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 AND ACCUMULATED SURPLUS
(UNAUDITED)

For the three-month and nine-month periods ended 30 September 2014

	<i>Notes</i>	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
		<u>2014</u> <u>SR'000</u>	<u>2013</u> <u>SR'000</u>	<u>2014</u> <u>SR'000</u>	<u>2013</u> <u>SR'000</u>
INSURANCE REVENUE					
Gross contributions		75,455	36,127	203,122	109,102
Investible contribution, net		(27,073)	(22,291)	(78,825)	(70,233)
Net insurance contributions		48,382	13,836	124,297	38,869
Reinsurance ceded		(26,842)	(5,349)	(64,064)	(15,019)
Net written contributions		21,540	8,487	60,233	23,850
Change in net unearned contribution		(4,860)	(1,356)	(9,973)	(1,745)
Net insurance revenue		16,680	7,131	50,260	22,105
CLAIMS AND EXPENSES					
Gross claims paid		(12,036)	(598)	(21,950)	(3,645)
Reinsurance share of claims paid		9,732	538	18,041	3,281
Net claims paid		(2,304)	(60)	(3,909)	(364)
Change in net outstanding claims provision	7	1,776	(79)	(1,947)	(85)
Net claims incurred		(528)	(139)	(5,856)	(449)
Acquisition fee paid to the Distributing shareholder	8	(1,397)	(654)	(4,027)	(654)
Entrance fee paid to the Technical and Distributing shareholders	1 & 8	(355)	(653)	(1,383)	(2,262)
Administration fee paid to the Technical and Distributing shareholders	1 & 8	(2,233)	(2,710)	(6,525)	(6,035)
Supervision and inspection fee		(237)	(295)	(1,086)	(892)
Other direct underwriting expenses		(78)	(73)	(233)	(224)
Service charges paid to Technical Shareholder	1 & 8	(900)	-	(2,700)	-
Total claims and expenses		(5,728)	(4,524)	(21,810)	(10,516)
Underwriting surplus for the period		10,952	2,607	28,450	11,589
Investment fund fee	8	1,235	1,143	3,609	3,071
General and administration expenses		(2,473)	(2,669)	(7,519)	(9,771)
Surplus for the period from Insurance Operations		9,714	1,081	24,540	4,889
Shareholders' share of surplus from Insurance Operations	2 (a)	(8,743)	(973)	(22,086)	(4,400)
Policyholders' share of surplus for the period		971	108	2,454	489
Accumulated policyholders' surplus at the beginning of the period		2,652	916	1,169	535
ACCUMULATED POLICYHOLDERS' SURPLUS AT THE END OF THE PERIOD		3,623	1,024	3,623	1,024

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 2014

	<i>Notes</i>	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
		<u>2014</u> <u>SR'000</u>	<u>2013</u> <u>SR'000</u>	<u>2014</u> <u>SR'000</u>	<u>2013</u> <u>SR'000</u>
Shareholders' share of surplus from Insurance Operations	2 (a)	8,743	973	22,086	4,400
Unrealised gain on investment	4	502	1,143	1,870	4,509
Total income		9,245	2,116	23,956	8,909
General and administration expenses		(1,087)	(701)	(3,861)	(2,129)
NET INCOME FOR THE PERIOD		8,158	1,415	20,095	6,780
Weighted average number of ordinary shares outstanding (in thousands)	11	16,667	16,667	16,667	16,667
Net income per share for the period (SR)	11	0.49	0.08	1.21	0.41

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 2014

	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
	<u>2014</u> <u>SR'000</u>	<u>2013</u> <u>SR'000</u>	<u>2014</u> <u>SR'000</u>	<u>2013</u> <u>SR'000</u>
NET INCOME FOR THE PERIOD	8,158	1,415	20,095	6,780
Zakat and income tax for the period (note 5)	<u>(1,124)</u>	<u>(629)</u>	<u>(3,102)</u>	<u>(2,121)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>7,034</u>	<u>786</u>	<u>16,993</u>	<u>4,659</u>


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 CHANGES IN SHAREHOLDERS' EQUITY

For the nine-month periods ended 30 September 2014

	<i>For the nine-month period ended 30 September 2014</i>			
	<i>Share capital SR '000</i>	<i>Statutory reserve SR '000</i>	<i>Accumulated losses SR '000</i>	<i>Total SR '000</i>
Balance as at 31 December 2013 (audited)	166,667	7,874	(34,902)	139,639
Net income for the nine-month period	-	-	20,095	20,095
Zakat and income tax for the nine-month period (note 5)	-	-	(3,102)	(3,102)
Balance at 30 September 2014 (unaudited)	166,667	7,874	(17,909)	156,632

	<i>For the nine-month period ended 30 September 2013</i>			
	<i>Share capital SR '000</i>	<i>Statutory reserve SR '000</i>	<i>Accumulated losses SR '000</i>	<i>Total SR '000</i>
Balance as at 31 December 2012 (audited)	166,667	7,874	(40,177)	134,364
Net income for the nine-month period	-	-	6,780	6,780
Zakat and income tax for the nine-month period (note 5)	-	-	(2,121)	(2,121)
Balance at 30 September 2013 (unaudited)	166,667	7,874	(35,518)	139,023

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 periods ended 30 September 2014

	<u>2014</u> <u>SR'000</u>	<u>2013</u> <u>SR'000</u>
OPERATING ACTIVITIES		
Policyholders' share of surplus for the period after shareholders' share	2,454	489
Adjustment for the period:		
Depreciation	347	1,042
Employees' end of service benefits, net	422	(256)
Reinsurance share of unearned contribution	(14,874)	(2,706)
Unearned contribution - gross	24,847	4,451
Allowance for doubtful receivables	10	-
	<u>13,206</u>	<u>(3,020)</u>
Changes in operating assets and liabilities:		
Trading investments held to cover unit-linked liabilities	(69,415)	(95,048)
Contribution receivable	(955)	(52)
Accrued income	8	(130)
Prepayments and other receivables	(507)	(285)
Reinsurance share of outstanding claims	(1,431)	-
Technical reserve for Insurance Operations	83,529	94,460
Outstanding claims - gross	1,788	324
Reinsurance balances payable	44,884	8,454
Due to Shareholders' Operations	14,040	1,761
Due to related parties	2,661	(1,703)
Contributions received in advance	12,029	(138)
Accruals and other payables	2,517	989
Net cash from operating activities	<u>102,354</u>	<u>11,652</u>
INVESTING ACTIVITY		
Purchase of furniture, fittings and office equipment	(102)	(189)
Net increase in cash and cash equivalents	<u>102,252</u>	<u>11,463</u>
Cash and cash equivalents at the beginning of the period	<u>34,781</u>	<u>19,817</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u><u>137,033</u></u>	<u><u>31,280</u></u>

Director

Chief Financial Officer

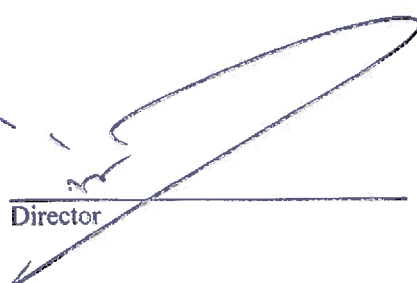
Chief Executive Officer

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 periods ended 30 September 2014

	<i>Nine-month period ended 30 September</i>	
	<u>2014</u> <u>SR'000</u>	<u>2013</u> <u>SR'000</u>
OPERATING ACTIVITIES		
Net income for the period	20,095	6,780
Adjustments for the period:		
Unrealised gain on trading investments	(1,870)	(4,509)
	<u>18,225</u>	<u>2,271</u>
Changes in operating assets and liabilities:		
Prepayments and other receivables	(4,119)	(130)
Due from Insurance Operations	(14,040)	(1,761)
Accruals and other payables	279	(310)
Zakat and income tax paid	(542)	(113)
	<u>(197)</u>	<u>(43)</u>
Net decrease in cash and cash equivalents	(197)	(43)
Cash and cash equivalents at the beginning of the period	200	65
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	22


 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
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2014

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

AlAhli 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 Exchange on 18 August 2007. As at 30 September 2014, the Company is owned 71.15% by Saudi founding shareholders and general public and 28.85% by non-Saudi shareholders.

On 10 February 2014, the Board of the Directors of the Company terminated the Cooperation Agreement ("the Agreement") with FWU AG (FWU), a shareholder, for provision and servicing of Company's products, and terminated the Distribution Agreement as exclusively related to FWU providing the appointed distributor with access to the Sales and Insurance System, effective from 31 December 2013 (the "Termination Date"). After termination of the Agreement, 50% of the income relating to the entrance fee and administration fee attributable to FWU from existing insurance policies as at 31 December 2013 are payable to FWU on monthly basis until such time as those policies are either surrendered, matured, lapsed, cancelled, terminated or settled as part of a claim. Furthermore, the Company and FWU have agreed into a contract under which FWU will continue to provide its services for a minimum of eighteen months and up to a maximum of thirty months from the Termination Date to assist the Company in completing the implementation of a new system, at a monthly service charge of SR 300 thousand. This arrangement has been approved by the shareholders of the Company in the General Assembly Meeting held on 8 April 2014.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

These 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 the annual financial statements for the year ended 31 December 2013 except for adoption of new and amended IFRS and International Financial Reporting Interpretations Committee Interpretations (IFRIC) as mentioned in note 2(b) which had no impact on the financial position or financial performance of the Company.

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. 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.

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.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2014

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

a) Basis of presentation (continued)

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

Shareholders'	90%
Policyholders'	10%
	<u>100%</u>

If the insurance operations results in a deficit, the entire deficit is borne by the Shareholders' Operations.

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

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

<u>Standard</u>	<u>Description</u>
IFRS 10, IFRS 12 and IAS 27	Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities
IAS 32	Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
IAS 36	Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
IAS 39	Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies
IAS 19	Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

The adoption of the relevant new and amended standards and interpretations applicable to the Company did not have any significant impact on these interim condensed financial statements.

c) Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's interim condensed 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 are effective.

<u>Standard/ Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
IFRS 9	Financial Instruments	1 January 2018
IFRS 11	Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IAS 16 and IAS 38	Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 27	Amendments to IAS 27 Equity method in Separate Financial Statements	1 January 2016

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2014

3 CASH AND CASH EQUIVALENTS

	<i>30 September 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Cash in hand	4	4
Cash at bank (see note 3.1)	137,029	34,777
	<u>137,033</u>	<u>34,781</u>
<i>Shareholders' Operations</i>		
Cash at bank (see note 3.1)	<u>3</u>	<u>200</u>

3.1 Cash at bank is held in bank accounts maintained with a related party.

4 TRADING INVESTMENTS

	<i>30 September 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Al Manarah Conservative Growth Strategy	405,131	362,675
Al Manarah Medium Growth Strategy	157,981	142,662
Al Manarah High Growth Strategy	115,762	104,122
	<u>678,874</u>	<u>609,459</u>

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

	<i>30 September 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
<i>Shareholders' Operations</i>		
Al Ahli Takaful Discretionary Portfolio	<u>130,529</u>	<u>128,659</u>

Trading investments of Shareholders' Operations represent investments in a discretionary portfolio, managed by a subsidiary of the Company's major shareholder.

The movement in the trading investments during the nine-month period ended 30 September 2014 and year ended 31 December 2013 is as follows:

	<i>30 September 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Balance at the beginning of the period / year	609,459	479,814
Purchased during the period / year	66,301	88,899
Unrealised gain during the period / year (note 6 (b))	3,114	40,746
	<u>678,874</u>	<u>609,459</u>
Balance at the end of the period / year	<u>678,874</u>	<u>609,459</u>

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 September 2014

4 TRADING INVESTMENTS (continued)

	<i>30 September 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
<i>Shareholders' Operations</i>		
Balance at the beginning of the period / year	128,659	122,943
Unrealised gain during the period / year	1,870	5,716
Balance at the end of the period / year	<u>130,529</u>	<u>128,659</u>

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 for the nine-month period ended 30 September 2014 and year ended 31 December 2013 is as follows:

	<i>30 September 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
Balance at the beginning of the period / year	8,925	6,268
Charge for the period / year	3,102	2,770
Zakat and income tax paid	(542)	(113)
Balance at the end of the period / year	<u>11,485</u>	<u>8,925</u>

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 2013.

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 filed an appeal against additional Zakat of SR 3,920,831 and paid additional withholding tax of SR 76,566 and a delay penalty of SR 26,093 under protest and is confident of a favourable outcome. The Preliminary Appeal Committee [PAC] issued their decision upholding DZIT's treatment. The Company has filed an appeal against the PAC decision with the Higher Appeal Committee [HAC] and submitted bank guarantee for the amount under dispute.

Assessments for the years 2010 to 2013 have not yet been raised by the DZIT. However, the DZIT issued initial assessments for the years 2010 through 2013, disallowing investments from the Zakat base with additional Zakat liability of SR 1,050,759, SR 999,879, SR 2,312,290 and SR 2,584,986 respectively. The Company filed an appeal against the initial assessments 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 2014

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 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
Technical reserve relating to the Participant Investment		
Strategies (unit liability)	692,240	616,084
Allowance for the retained risk	6,965	1,182
Incurred But Not Reported (IBNR) reserves	1,984	394
	<u>701,189</u>	<u>617,660</u>

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

	<i>30 September 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
Balance as at the beginning of the period	617,660	485,169
Change in reserve	1,590	49
Unrealized gain on investment (note 4)	3,114	40,746
Investible contribution, net	78,825	92,119
Others	-	(423)
Balance as at the end of the period	<u>701,189</u>	<u>617,660</u>

7 CHANGE IN NET OUTSTANDING CLAIMS PROVISION

	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
	<i>2014 (Unaudited) SR'000</i>	<i>2013 (Unaudited) SR'000</i>	<i>2014 (Unaudited) SR'000</i>	<i>2013 (Unaudited) SR'000</i>
Change in outstanding claims - Gross	(11,605)	-	1,788	324
Change in outstanding claims – Reinsurance	9,283	-	(1,431)	(303)
Change in Incurred But Not Reported claims (IBNR)	546	79	1,590	64
Movement in net outstanding claims provision	<u>(1,776)</u>	<u>79</u>	<u>1,947</u>	<u>85</u>

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 September 2014

8 RELATED PARTY TRANSACTIONS AND BALANCES

Insurance Operations

- a) Following are the details of major related party transactions during the nine-month period ended 30 September 2014 and 2013:

<u>Related party</u>	<u>Nature of transactions</u>	<u>Amount of transactions</u>	
		<u>2014</u> (Unaudited) SR'000	<u>2013</u> (Unaudited) SR'000
<i>Insurance Operations</i>			
Shareholder	Gross Group Life contribution	101,323	16,938
Shareholder	Acquisition fee paid for distributing the products (See note 8(d))	4,027	654
Shareholders	Entrance fee (See note 8(d))	1,383	2,262
Shareholders	Administration fee (See note 8(d))	6,525	6,035
Shareholder	Investment fund fee	3,609	3,071
Shareholder	Service charges (note 1)	2,700	-
Key management personnel	Short-term benefits	2,174	2,025
Key management personnel	End of service benefits	111	107

- b) Receivable from / (payable to) related parties

	<u>30 September</u> <u>2014</u> (Unaudited) SR'000	<u>31 December</u> <u>2013</u> (Audited) SR'000
Gross contribution receivable from a related party - Shareholder	463	463
Allowance for doubtful receivables	(10)	-
	<u>1,408</u>	<u>463</u>
Payable to Technical Shareholder	<u>(293)</u>	<u>(71)</u>
Payable to Distributing Shareholder	<u>(2,439)</u>	<u>-</u>
Accrued investment fund fee receivable from subsidiary of a Shareholder	<u>428</u>	<u>436</u>

- c) In addition to the disclosures set out in note 1, 3 and 4 relating to related parties, amount due from and due to related parties are shown in the Interim Statement of Financial Position.
- d) Based on an arrangement between the Company and a founding shareholder, the acquisition, entrance and administration fees of one of the founding shareholders was mutually waived for the period from 1 January to 30 June 2013.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 September 2014

8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Shareholders' Operations

- a) Following are the details of Board of Directors' remuneration and related expenses during the nine-month period ended 30 September 2014:

	<i>Amount of transactions</i>	
	<u>2014</u>	<u>2013</u>
	(Unaudited)	(Unaudited)
	SR'000	SR'000
Board remuneration	1,360	680
Board attendance fees	54	32
Board accommodation and travel	-	65

- (b) Payable to Board of Directors

	<u>30 September</u>	<u>31 December</u>
	<u>2014</u>	<u>2013</u>
	(Unaudited)	(Audited)
	SR'000	SR'000
Remuneration and other expenses payable to Board members	1,173	596

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.

Insurance – group credit segment offers protection benefits in respect of personal loan given by financing organization which was started during the quarter ended 31 March 2014. This segment also include protection benefits in respect of various credit facilities other than personal loans extended by the financing organizations to its customers.

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

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2014

9 OPERATING SEGMENT INFORMATION (continued)

	<i>Three-month period ended 30 September 2014 (unaudited)</i>			
	<i>Insurance - individual SR '000</i>	<i>Insurance- group life SR '000</i>	<i>Insurance group credit protection SR '000</i>	<i>Total SR '000</i>
INSURANCE REVENUE				
Gross contributions	33,766	236	41,453	75,455
Investible contribution, net	(24,275)	54	(2,852)	(27,073)
Net insurance contributions	9,491	290	38,601	48,382
Reinsurance ceded	(1,269)	(118)	(25,455)	(26,842)
Net written contributions	8,222	172	13,146	21,540
Change in net unearned contribution	-	609	(5,469)	(4,860)
Net insurance revenue	8,222	781	7,677	16,680
CLAIMS AND EXPENSES				
Gross claims paid	(261)	(300)	(11,475)	(12,036)
Reinsurance share of claims paid	235	240	9,257	9,732
Net claims paid	(26)	(60)	(2,218)	(2,304)
Change in outstanding claims provision	-	(3)	1,779	1,776
Net claims incurred	(26)	(63)	(439)	(528)
Acquisition fee paid to the Distributing shareholder	(1,397)	-	-	(1,397)
Entrance fee paid to the Technical and Distributing shareholders	(355)	-	-	(355)
Administration fee paid to the Technical and Distributing shareholders	(2,233)	-	-	(2,233)
Supervision and inspection fee	(152)	(1)	(84)	(237)
Other direct underwriting expenses	(78)	-	-	(78)
Service charges paid to Technical Shareholder	(900)	-	-	(900)
Total claims and expenses	(5,141)	(64)	(523)	(5,728)
Underwriting surplus for the period	3,081	717	7,154	10,952
Unallocated amounts:				
- Investment fund fee				1,235
- General and administration expenses				(2,473)
Surplus for the period from Insurance Operations				9,714

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 September 2014

9 OPERATING SEGMENT INFORMATION (continued)

	<i>Three-month period ended 30 September 2013 (unaudited)</i>			
	<i>Insurance - individual SR '000</i>	<i>Insurance- group life SR '000</i>	<i>Insurance group credit protection SR '000</i>	<i>Total SR '000</i>
INSURANCE REVENUE				
Gross contributions	28,945	3	7,179	36,127
Investible contribution, net	(21,998)	14	(307)	(22,291)
Net insurance contributions	6,947	17	6,872	13,836
Reinsurance ceded	(1,196)	(3)	(4,150)	(5,349)
Net written contributions	5,751	14	2,722	8,487
Change in net unearned contribution	-	194	(1,550)	(1,356)
Net insurance revenue	5,751	208	1,172	7,131
CLAIMS AND EXPENSES				
Gross claims paid	(29)	-	(569)	(598)
Reinsurance share of claims paid	26	-	512	538
Net claims paid	(3)	-	(57)	(60)
Change in outstanding claims provision	-	-	(79)	(79)
Net claims incurred	(3)	-	(136)	(139)
Acquisition fee paid to the Distributing shareholder	(654)	-	-	(654)
Entrance fee paid to the Technical and Distributing shareholders	(653)	-	-	(653)
Administration fee paid to the Technical and Distributing shareholders	(2,710)	-	-	(2,710)
Supervision and inspection fee	(259)	-	(36)	(295)
Other direct underwriting expenses	(73)	-	-	(73)
Service charges paid to Technical Shareholder				
Total claims and expenses	(4,352)	-	(172)	(4,524)
Underwriting surplus for the period	1,399	208	1,000	2,607
Unallocated amounts:				
- Investment fund fee				1,143
- General and administration expenses				(2,669)
Surplus for the period from Insurance Operations				1,081

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2014

9 OPERATING SEGMENT INFORMATION (continued)

	<i>Nine-month period ended 30 September 2014 (unaudited)</i>			
	<i>Insurance - individual SR '000</i>	<i>Insurance- group life SR '000</i>	<i>Insurance group credit protection SR '000</i>	<i>Total SR '000</i>
INSURANCE REVENUE				
Gross contributions	100,769	4,645	97,708	203,122
Investible contribution, net	(73,552)	(272)	(5,001)	(78,825)
Net insurance contributions	27,217	4,373	92,707	124,297
Reinsurance ceded	(3,778)	(1,808)	(58,478)	(64,064)
Net written contributions	23,439	2,565	34,229	60,233
Change in net unearned contribution	-	(756)	(9,217)	(9,973)
Net insurance revenue	23,439	1,809	25,012	50,260
CLAIMS AND EXPENSES				
Gross claims paid	(706)	(600)	(20,644)	(21,950)
Reinsurance share of claims paid	635	480	16,926	18,041
Net claims paid	(71)	(120)	(3,718)	(3,909)
Change in outstanding claims provision	-	(16)	(1,931)	(1,947)
Net claims incurred	(71)	(136)	(5,649)	(5,856)
Acquisition fee paid to the Distributing shareholder	(4,027)	-	-	(4,027)
Entrance fee paid to the Technical and Distributing shareholders	(1,383)	-	-	(1,383)
Administration fee paid to the Technical and Distributing shareholders	(6,525)	-	-	(6,525)
Supervision and inspection fee	(698)	(23)	(365)	(1,086)
Other direct underwriting expenses	(233)	-	-	(233)
Service charges paid to Technical Shareholder	(2,700)	-	-	(2,700)
Total claims and expenses	(15,637)	(159)	(6,014)	(21,810)
Underwriting surplus for the period				28,450
Unallocated amounts:				
- Investment fund fee				3,609
- General and administration expenses				(7,519)
Surplus for the period from Insurance Operations				24,540

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 September 2014

9 OPERATING SEGMENT INFORMATION (continued)

	<i>Nine-month period ended 30 September 2013 (unaudited)</i>			
	<i>Insurance - individual SR '000</i>	<i>Insurance- group life SR '000</i>	<i>Insurance group credit protection SR '000</i>	<i>Total SR '000</i>
INSURANCE REVENUE				
Gross contributions	92,164	4,143	12,795	109,102
Investible contribution, net	(69,774)	(132)	(327)	(70,233)
Net insurance contributions	22,390	4,011	12,468	38,869
Reinsurance ceded	(3,644)	(3,367)	(8,008)	(15,019)
Net written contributions	18,746	644	4,460	23,850
Change in net unearned contribution	-	(195)	(1,550)	(1,745)
Net insurance revenue	18,746	449	2,910	22,105
CLAIMS AND EXPENSES				
Gross claims paid	(382)	(1,760)	(1,503)	(3,645)
Reinsurance share of claims paid	343	1,584	1,354	3,281
Net claims paid	(39)	(176)	(149)	(364)
Change in outstanding claims provision	(21)	(9)	(55)	(85)
Net claims incurred	(60)	(185)	(204)	(449)
Acquisition fee paid to the Distributing shareholder	(654)	-	-	(654)
Entrance fee paid to the Technical and Distributing shareholders	(2,262)	-	-	(2,262)
Administration fee paid to the Technical and Distributing shareholders	(6,035)	-	-	(6,035)
Supervision and inspection fee	(807)	(21)	(64)	(892)
Other direct underwriting expenses	(224)	-	-	(224)
Total claims and expenses	(10,042)	(206)	(268)	(10,516)
Underwriting surplus for the period	8,704	243	2,642	11,589
Unallocated amounts:				
- Investment fund fee				3,071
- General and administration expenses				(9,771)
Surplus for the period from Insurance Operations				4,889

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2014

9 OPERATING SEGMENT INFORMATION (continued)

	<i>As at 30 September 2014 (unaudited)</i>			
	<i>Insurance - individual SR '000</i>	<i>Insurance- group life SR '000</i>	<i>Insurance group credit protection SR '000</i>	<i>Total SR '000</i>
INSURANCE OPERATIONS' ASSETS				
Cash and cash equivalents	77,024	2,044	57,965	137,033
Trading investments held to cover unit-linked liabilities	678,874	-	-	678,874
Contribution receivable	-	156	1,252	1,408
Accrued income	428	-	-	428
Reinsurance share of outstanding claims	1,431	-	-	1,431
Reinsurance share of unearned contribution	-	501	14,838	15,339
	<u>757,757</u>	<u>2,701</u>	<u>74,055</u>	<u>834,513</u>
Unallocated amounts:				
- Prepayments and other receivables				685
- Furniture, fittings and office equipment				614
Total Insurance Operations' Assets				<u><u>835,812</u></u>
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS				
Insurance Operations' Liabilities				
Technical reserve for Insurance Operations	693,962	390	6,837	701,189
Unearned contribution – gross	-	1,257	24,443	25,700
Outstanding claims – gross	324	-	1,788	2,112
Reinsurance balances payable	6,878	1,722	48,052	56,652
Due to related parties	2,732	-	-	2,732
Contributions received in advance	12,564	-	-	12,564
Accruals and other payables	11,582	1	84	11,667
	<u>728,042</u>	<u>3,370</u>	<u>81,204</u>	<u>812,616</u>
Unallocated amounts:				
- Due to Shareholders Operations				18,680
- Employees' end of service benefits				893
Total Insurance Operations' Liabilities				<u>832,189</u>
Surplus from Insurance Operations				<u>3,623</u>
Total Insurance Operations' Liabilities and Surplus				<u><u>835,812</u></u>

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2014

9 OPERATING SEGMENT INFORMATION (continued)

	<i>As at 31 December 2013(audited)</i>			
	<i>Insurance - individual SR '000</i>	<i>Insurance- group life SR '000</i>	<i>Insurance group credit protection SR '000</i>	<i>Total SR '000</i>
INSURANCE OPERATIONS' ASSETS				
Cash and cash equivalents	26,783	694	7,304	34,781
Trading investments held to cover unit-linked liabilities	609,459	-	-	609,459
Contribution receivable	-	-	463	463
Accrued income	436	-	-	436
Reinsurance share of unearned contribution	-	-	465	465
	<u>636,678</u>	<u>694</u>	<u>8,232</u>	<u>645,604</u>
Unallocated amounts:				
- Prepayments and other receivables				178
- Furniture, fittings and office equipment				859
Total Insurance Operations' Assets				<u><u>646,641</u></u>
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS				
Insurance Operations' Liabilities				
Technical reserve for Insurance Operations	617,296	103	261	617,660
Unearned contribution – gross	-	-	853	853
Outstanding claims – gross	324	-	-	324
Reinsurance balances payable	4,513	605	6,650	11,768
Due to related parties	71	-	-	71
Contributions received in advance	535	-	-	535
Accruals and other payables	6,393	1	2,756	9,150
	<u>629,132</u>	<u>709</u>	<u>10,520</u>	<u>640,361</u>
Unallocated amounts:				
- Due to Shareholders Operations				4,640
- Employees' end of service benefits				471
Total Insurance Operations' Liabilities				<u>645,472</u>
Surplus from Insurance Operations				<u>1,169</u>
Total Insurance Operations' Liabilities and Surplus				<u><u>646,641</u></u>

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2014

10 FAIR VALUES OF FINANCIAL INSTRUMENTS

- a) 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 Company's financial assets consist of cash in hand and at banks, trading investments and contribution receivable and its financial liabilities consist of outstanding claims, reinsurance balances payable, amount due to a related party and other payables. The fair values of financial instruments are not materially different from their carrying values. As at 30 September 2014, apart from the investments which are carried at fair value (note 4), there were no other financial instruments held by the Company that were measured at fair value.

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

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.

As at 30 September 2014 and 31 December 2013, all financial instruments are fair valued are Level 2 instruments. The Company determines Level 2 fair values for trading investments based on the net assets value of the respective funds as at the end of the reporting period.

11 EARNINGS PER SHARE

Earnings per share for the period have been calculated by dividing the net income for the period by the weighted average number of ordinary issued and outstanding shares at the statement of financial position date. Diluted earnings per share is not applicable to the Company.

12 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors on 3 Muharam 1436H, corresponding to 27 October 2014.