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

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

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 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 June 2012, and the related interim statements of insurance operations and accumulated surplus, shareholders' operations and comprehensive income for the three month and six month periods then ended, and the related statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the six 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.

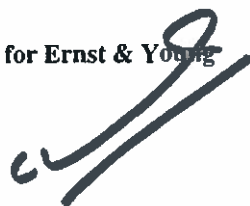
Conclusion

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. 382




Jeddah, Kingdom of Saudi Arabia


18 July 2012
28 Sha'ban 1433 H

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2012

		30 June 2012 (Unaudited) SR '000	31 December 2011 (Audited) SR '000
	<i>Notes</i>		
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	25,675	28,580
Trading investments held to cover unit-linked liabilities	4	413,828	344,972
Due from Shareholders' Operations		-	317
Gross contribution receivable from a related party	8	-	959
Allowances for doubtful receivables		-	(240)
Net contribution receivable		-	719
Accrued income		242	-
Prepayments and other receivables		1,121	-
Reinsurance share of unearned contribution		1,340	698
Reinsurance share of outstanding benefits		117	536
Furniture, fittings and office equipment		2,781	-
Total Insurance Operations' assets		445,104	375,822
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	5	82,868
Trading investments	4	121,026	50,370
Due from a related party	8	-	200
Due from Insurance Operations		1,762	-
Prepayments and other receivables		156	119
Furniture, fittings and office equipment		-	3,656
Statutory deposit	11	16,667	10,000
Total Shareholders' assets		139,616	147,213
TOTAL ASSETS		584,720	523,035


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 FINANCIAL POSITION (continued)

As at 30 June 2012

	Notes	30 June 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance Operations' liabilities			
Technical reserve for Insurance Operations	6	424,783	355,909
Unearned contribution – gross		1,783	780
Outstanding claims – gross		130	596
Reinsurance balances payable		4,119	9,858
Deferred commission revenue – group and credit life		-	179
Due to a related parties	8	1,794	680
Due to Shareholders' Operations		1,762	-
Contributions received in advance		990	1,548
Accruals and other payables		8,328	5,250
Employees' end of service benefits		726	-
Total Insurance Operations' liabilities		444,415	374,800
Insurance Operations' surplus		689	1,022
Surplus from Insurance Operations			
Total Insurance Operations' liabilities and surplus		445,104	375,822
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accruals and other payables		770	6,672
Due to Insurance Operations		-	317
Accrued Zakat	5	4,941	4,008
Employees' end of service benefits		-	623
Total shareholders' liabilities		5,711	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		(40,636)	(38,948)
Total shareholders' equity		133,905	135,593
Total shareholders' liabilities and equity		139,616	147,213
TOTAL INSURANCE OPERATIONS' LIABILITIES, SURPLUS, SHAREHOLDERS' LIABILITIES AND EQUITY		584,720	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 six-month periods ended 30 June 2012

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
	<i>2012 SR'000</i>	<i>2011 SR'000</i>	<i>2012 SR'000</i>	<i>2011 SR'000</i>
INSURANCE REVENUE				
Gross contributions	40,167	50,851	85,060	94,373
Investible contribution, net	(31,654)	(39,688)	(63,110)	(69,069)
Net insurance contributions	8,513	11,163	21,950	25,304
Reinsurance ceded	(1,708)	(1,391)	(7,024)	(5,025)
Net written contributions	6,805	9,772	14,926	20,279
Change in net unearned contribution	331	-	(443)	-
Net insurance revenue	7,136	9,772	14,483	20,279
CLAIMS AND EXPENSES				
Gross claims paid	(2,432)	(904)	(4,204)	(1,204)
Reinsurance share of claims paid	2,203	814	3,798	1,084
Net claims paid	(229)	(90)	(406)	(120)
Change in net outstanding claims provision (note 7)	15	58	(79)	(68)
Net claims incurred	(214)	(32)	(485)	(188)
Acquisition fee paid to the distributing shareholder	(605)	(2,629)	(1,330)	(5,674)
Entrance fee paid to the technical and distributing shareholders	(643)	(1,977)	(1,523)	(4,325)
Administration fee paid to the distributing shareholder	(2,620)	(2,573)	(5,258)	(4,989)
Acquisition and administration fee paid to shareholders' operations	-	(1,953)	-	(3,991)
Supervision and inspection fee	(310)	(342)	(633)	(656)
Other direct underwriting expenses	(76)	(81)	(149)	(152)
Management fee - Wakala fee	-	(32)	-	(71)
Total claims and expenses	(4,468)	(9,619)	(9,378)	(20,046)
Underwriting surplus for the period	2,668	153	5,105	233
Investment fund fee	769	-	1,475	-
General and administration expenses	(3,051)	-	(5,651)	-
Surplus for the period from Insurance Operations	386	153	929	233
Shareholders' share of surplus from Insurance Operations	(347)	-	(836)	-
Policyholders' share of surplus for the period	39	153	93	233
Accumulated policyholders' surplus at the beginning of the period	650	787	1,022	707
Policyholders' surplus distributed during the period	-	-	(426)	-
ACCUMULATED POLICYHOLDERS' SURPLUS AT THE END OF THE PERIOD	689	940	689	940

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 six-month periods ended 30 June 2012

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</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	347	-	836	-
Share of acquisition and administration fee from Insurance Operations	-	1,953	-	3,991
Unrealised loss on investment	(812)	(124)	(158)	(77)
Realised gain/(loss) on investment	34	-	34	(1)
Investment fund fee	-	440	-	762
Management fee	-	32	-	71
Total (loss)/income	(431)	2,301	712	4,746
General and administration expenses	(626)	(3,597)	(1,364)	(6,738)
NET LOSS FOR THE PERIOD	(1,057)	(1,296)	(652)	(1,992)
Weighted average number of ordinary shares outstanding (in thousands)	16,667	10,000	14,103	10,000
Net loss per share for the period (SR)	(0.06)	(0.13)	(0.05)	(0.20)


Director


Chief Financial Officer


Chief Executive Officer

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three-month and six-month periods ended 30 June 2012

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</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 LOSS FOR THE PERIOD	(1,057)	(1,296)	(652)	(1,992)
OTHER COMPREHENSIVE INCOME/(EXPENSE)	-	-	-	-
Zakat for the period	(758)	(262)	(1,036)	(374)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(1,815)	(1,558)	(1,688)	(2,366)


 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 (UNAUDITED)
For the six-month period ended 30 June 2012

For the six-month period ended 30 June 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 loss for the six-month period	-	-	-	(652)	(652)
Zakat for the six-month period	-	-	-	(1036)	(1,036)
Balance at 30 June 2012	166,667	-	7,874	(40,636)	133,905

For the six-month period ended 30 June 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 six-month period	-	-	-	(1,992)	(1,992)
Zakat for the six-month period	-	-	-	(374)	(374)
Balance at 30 June 2011	100,000	-	-	(35,535)	64,465


Director


Chief Financial Officer


Chief Executive Officer

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

	Notes	Six-month period ended 30 June	
		2012 SR'000	2011 SR'000
OPERATING ACTIVITIES			
Policyholders' share of surplus for the period		93	233
Adjustment for the period:			
Depreciation		907	-
Employees' end of service benefits, net		103	-
Unrealised (gain)/loss on trading investments held to cover unit-linked liabilities	4	(3,156)	2,031
Reinsurance share of unearned contribution		(642)	-
Unearned contribution – gross		1,003	-
Deferred commission revenue – group and credit life		(179)	359
		(1,871)	2,623
Changes in operating assets and liabilities:			
Trading investments held to cover unit-linked liabilities	4	(65,700)	(67,812)
Due to Shareholders' Operations		985	(326)
Net contribution receivable		719	-
Accrued income		(42)	-
Prepayments and other receivables		(1,018)	-
Reinsurance share of outstanding benefits		419	(178)
Technical reserve for Insurance Operations		68,874	66,946
Outstanding benefits – gross		(466)	198
Reinsurance balances payable		(5,739)	3,598
Due to related parties		1,101	(94)
Contributions received in advance		(558)	739
Accruals and other payables		849	145
Net cash (used in)/from operating activities		(2,447)	5,839
INVESTING ACTIVITY			
Purchase of furniture, fittings and office equipment		(32)	-
FINANCING ACTIVITY			
Surplus distributed		(426)	-
Net (decrease)/increase in cash and cash equivalents		(2,905)	5,839
Cash and cash equivalents at the beginning of the period		28,580	10,518
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		25,675	16,357


Director



Chief Financial Officer



Chief Executive Officer

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

	Notes	Six-month period ended 30 June	
		2012 SR'000	2011 SR'000
OPERATING ACTIVITIES			
Net loss for the period		(652)	(1,992)
Adjustments for the period:			
Depreciation		-	884
Employees' end of service benefits, net		-	(129)
Realised (gain)/loss on trading investments	4	(34)	1
Unrealised loss on trading investments	4	158	77
		<u>(528)</u>	<u>(1,159)</u>
Changes in operating assets and liabilities:			
Prepayments and other receivables		(139)	6
Due from Insurance Operations		(985)	326
Accruals and other payables		(3,661)	(2,791)
Zakat paid	5	(103)	-
		<u>(5,416)</u>	<u>(3,618)</u>
Net cash used in operating activities			
INVESTING ACTIVITIES			
Purchase of furniture, fittings and office equipment		-	(191)
Purchase of trading investments	4	(77,447)	-
Redemption of trading investments	4	6,667	3,500
Increase in statutory deposit		(6,667)	-
		<u>(77,447)</u>	<u>3,309</u>
Net cash (used in)/from investing activities			
		<u>(82,863)</u>	<u>(309)</u>
Net decrease in cash and cash equivalents			
		<u>82,868</u>	<u>1,066</u>
Cash and cash equivalents at the beginning of the period			
		<u>5</u>	<u>757</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD			


Director


Chief Executive Officer


Chief Financial Officer

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 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 June 2012, and the policyholders’ share of surplus and shareholders net loss for the period ended 30 June 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 June 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%
	<u>100%</u>

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
IAS 12	Amendments to Income taxes – Deferred taxes: Recovery of underlying assets
IFRS 7	Financial Instruments: Disclosures (Transfers of Financial Assets)
IAS 34	Interim Financial Reporting

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 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.

Standard/ Interpretation	Description	Effective from periods beginning on or after the following date
IFRS 7	Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2015
IFRS 9	Financial Instruments – Classification and Measurement	1 January 2015
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosures of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IAS 1	Amendments to IAS 1 Presentation of financial statements	1 July 2012
IAS 19	Amendments to IAS 19 Employee benefits	1 January 2013
IAS 27	Separate financial statements	1 January 2013
IAS 28	Investments in associates and joint ventures	1 January 2013

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2012

3 CASH AND CASH EQUIVALENTS

	30 June 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000
Insurance Operations		
Cash in hand	5	-
Cash at bank	25,670	28,580
	<u>25,675</u>	<u>28,580</u>
Shareholders' Operations		
Cash in hand	-	5
Cash at banks (Note 3.1)	5	82,863
	<u>5</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 six month period ended 30 June 2012.

4 TRADING INVESTMENTS

	30 June 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000
Insurance Operations		
Al Manarah Conservative Growth Strategy	253,459	213,415
Al Manarah Medium Growth Strategy	95,358	78,424
Al Manarah High Growth Strategy	65,011	53,133
	<u>413,828</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 June 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000
Shareholders' Operations		
Al Ahli Takaful Discretionary Portfolio	121,026	50,370
	<u>121,026</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.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2012

4 TRADING INVESTMENTS (continued)

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

	30 June 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	65,700	133,077
Unrealised gain/(loss) during the period/year	3,156	(16,154)
Balance at end of the period/year	<u>413,828</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 loss during the period/year	(158)	(696)
Balance at end of the period/year	<u>121,026</u>	<u>50,370</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 during the six-month period ended 30 June 2012 and the year ended 31 December 2011 is as follows:

	30 June 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000
Balance at the beginning of the period/year	4,008	3,126
Charge for the period/year	1,036	882
Payment during the period/year	(103)	-
Balance at the end of the period/year	<u>4,941</u>	<u>4,008</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 to 2011. Final certificates have been received from DZIT for the period ended 31 December 2007 and for the years ended 31 December 2008 and 2009. The Company also obtained limited Zakat certificate for the year ended 31 December 2010.

During 2011, DZIT has raised an assessment for the year ended 31 December 2010 demanding additional Zakat liability of SR 1,050,759. The Company filed an appeal against the assessment and is confident of a favourable outcome. During 2012, DZIT has raised another assessment for the period ended 31 December 2007 and for 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.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 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 June 2012 (Unaudited) SR'000</i>	<i>31 December 2011 (Audited) SR'000</i>
Technical reserve relating to the Participant Investment Strategies (unit liability)	424,332	354,585
Allowance for the retained risk	195	1,143
Incurred But Not Reported (IBNR) reserves	256	181
	<u>424,783</u>	<u>355,909</u>

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

	<i>30 June 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	125	182
Unrealized gain/(loss) on investment	3,156	(16,154)
Change in net investible contribution	63,110	142,804
Surplus distribution (Note 6.1)	2,599	-
Surplus payable for prior year	(116)	(140)
	<u>424,783</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 June</i>		<i>Six-month period ended 30 June</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	(252)	(599)	(465)	198
Change in outstanding claims – Reinsurance	227	540	419	(178)
Change in Incurred But Not Reported claims (IBNR)	10	1	125	48
	<u>(15)</u>	<u>(58)</u>	<u>79</u>	<u>68</u>
Movement in net outstanding claims provision				

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2012

8 RELATED PARTY TRANSACTIONS AND BALANCES

The following are the details of major related party transactions during the six-month period ended 30 June 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	3,536	3,193
Shareholder	Gross Group Credit Life contribution	1,719	-
Shareholder	Gross Group Credit cards contribution	2,881	-
Shareholder	Acquisition fee paid for distributing the products	1,330	5,674
Shareholders	Entrance fee	1,523	4,325
Shareholders	Administration fee	5,258	4,989
Shareholder	Fee from Investment Fund Manager	1,475	-

Shareholders' Operations

Shareholder	Fee from Investment Fund Manager	-	762
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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 June 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.

	<i>Three-month period ended 30 June 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	38,568	5	1,594	40,167
Investible contribution, net	(31,772)	120	(2)	(31,654)
Net Insurance contributions	6,796	125	1,592	8,513
Reinsurance ceded	(1,225)	(4)	(479)	(1,708)
Net written contributions	5,571	121	1,113	6,805
Change in net unearned contribution	-	220	111	331
Net insurance revenue	5,571	341	1,224	7,136
CLAIMS AND EXPENSES				
Gross claims paid	(840)	(1,130)	(462)	(2,432)
Reinsurance share of claims paid	770	1,017	416	2,203
Net claims paid	(70)	(113)	(46)	(229)
Change in net outstanding claims provision	25	-	(10)	15
Net claims incurred	(45)	(113)	(56)	(214)
Acquisition fee paid to the distributing shareholders	(605)	-	-	(605)
Entrance fee paid to the technical and distributing shareholders	(643)	-	-	(643)
Administration fee paid to the distributing shareholder	(2,620)	-	-	(2,620)
Supervision and inspection fee	(302)	-	(8)	(310)
Other direct underwriting expenses	(76)	-	-	(76)
Total claims and expenses	(4,291)	(113)	(64)	(4,468)
Underwriting surplus for the period	1,280	228	1,160	2,668
Investment fund fee	-	-	-	769
General and administration expenses	-	-	-	(3,051)
Surplus for the period from Insurance Operations				386

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2012

9 OPERATING SEGMENT INFORMATION (continued)

	<i>Three-month period ended 30 June 2011</i>		
	<i>Insurance - individual SR '000</i>	<i>Insurance- group life SR '000</i>	<i>Total SR '000</i>
INSURANCE REVENUE			
Gross contributions	50,600	251	50,851
Investible contribution, net	(39,682)	(6)	(39,688)
Net insurance contributions	10,918	245	11,163
Reinsurance ceded	(1,324)	(67)	(1,391)
Net written contributions	9,594	178	9,772
CLAIMS AND EXPENSES			
Gross claims paid	(904)	-	(904)
Reinsurance share of claims paid	814	-	814
Net claims paid	(90)	-	(90)
Change in net outstanding claims provision	59	(1)	58
Net claims incurred	(31)	(1)	(32)
Acquisition fee paid to the distributing shareholders	(2,629)	-	(2,629)
Entrance fee paid to the technical and distributing shareholders	(1,977)	-	(1,977)
Administration fee paid to the distributing shareholder	(2,573)	-	(2,573)
Acquisition and administration fee paid to shareholders' operations	(1,777)	(176)	(1,953)
Supervision and inspection fee	(341)	(1)	(342)
Other direct underwriting expenses	(81)	-	(81)
Management fee - Wakala fee	(32)	-	(32)
Total claims and expenses	(9,441)	(178)	(9,619)
Underwriting surplus for the period	153	-	153
Surplus for the period from Insurance Operations	153	-	153

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2012

9 OPERATING SEGMENT INFORMATION (continued)

	<i>Six-month period ended 30 June 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	76,925	3,535	4,600	85,060
Investible contribution, net	(62,967)	(46)	(97)	(63,110)
Net insurance contributions	13,958	3,489	4,503	21,950
Reinsurance ceded	(2,415)	(2,658)	(1,951)	(7,024)
Net written contributions	11,543	831	2,552	14,926
Change in net unearned contribution	-	(445)	2	(443)
Net insurance revenue	11,543	386	2,554	14,483
CLAIMS AND EXPENSES				
Gross claims paid	(1,726)	(1,880)	(598)	(4,204)
Reinsurance share of claims paid	1,568	1,692	538	3,798
Net claims paid	(158)	(188)	(60)	(406)
Change in net outstanding claims provision	21	(50)	(50)	(79)
Net claims incurred	(137)	(238)	(110)	(485)
Acquisition fee paid to the distributing shareholders	(1,330)	-	-	(1,330)
Entrance fee paid to the technical and distributing shareholders	(1,523)	-	-	(1,523)
Administration fee paid to the distributing shareholder	(5,258)	-	-	(5,258)
Supervision and inspection fee	(592)	(18)	(23)	(633)
Other direct underwriting expenses	(149)	-	-	(149)
Total claims and expenses	(8,989)	(256)	(133)	(9,378)
Underwriting surplus for the period	2,554	130	2,421	5,105
Investment fund fee	-	-	-	1,475
General and administration expenses	-	-	-	(5,651)
Surplus for the period from Insurance Operations				929

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

9 OPERATING SEGMENT INFORMATION (continued)

	<i>Six-month period ended 30 June 2011</i>		
	<i>Insurance - individual SR '000</i>	<i>Insurance- group life SR '000</i>	<i>Total SR '000</i>
INSURANCE REVENUE			
Gross contributions	91,180	3,193	94,373
Investible contribution, net	(68,875)	(194)	(69,069)
Net insurance contributions	22,305	2,999	25,304
Reinsurance ceded	(2,482)	(2,543)	(5,025)
Net written contributions	19,823	456	20,279
CLAIMS AND EXPENSES			
Gross claims paid	(904)	(300)	(1,204)
Reinsurance share of claims paid	814	270	1,084
Net claims paid	(90)	(30)	(120)
Change in net outstanding claims provision	(20)	(48)	(68)
Net claims incurred	(110)	(78)	(188)
Acquisition fee paid to the distributing shareholders	(5,674)	-	(5,674)
Entrance fee paid to the technical and distributing shareholders	(4,325)	-	(4,325)
Administration fee paid to the distributing shareholder	(4,989)	-	(4,989)
Acquisition and administration fee paid to shareholders' operations	(3,641)	(350)	(3,991)
Supervision and inspection fee	(638)	(18)	(656)
Other direct underwriting expenses	(152)	-	(152)
Management fee - Wakala fee	(61)	(10)	(71)
Total claims and expenses	(19,590)	(456)	(20,046)
Surplus for the period from Insurance Operations	233	-	233

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2012

9 OPERATING SEGMENT INFORMATION (continued)

	<i>As at 30 June 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	21,613	1,953	2,109	25,675
Trading investments held to cover unit-linked liabilities	413,828	-	-	413,828
Accrued income	242	-	-	242
Prepayments and other receivables	-	-	-	1,121
Reinsurance share of unearned contribution	-	1,340	-	1,340
Reinsurance share of outstanding benefits	117	-	-	117
Furniture, fittings and office equipment	-	-	-	2,781
Total Insurance Operations' assets				445,104
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS				
Insurance Operations' liabilities				
Technical reserve for Insurance Operations	424,474	96	213	424,783
Unearned contribution – gross	-	1,783	-	1,783
Outstanding benefits – gross	130	-	-	130
Reinsurance balances payable	1,780	770	1,569	4,119
Due to related parties	-	-	-	1,794
Due to Shareholders Operations	-	-	-	1,762
Contributions received in advance	990	-	-	990
Accruals and other payables	-	-	-	8,328
Employees' end of service benefits	-	-	-	726
Total Insurance Operations' liabilities				444,415
Surplus from Insurance Operations	-	-	-	689
Total Insurance Operations' liabilities and surplus				445,104

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 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 thousands and SR 13,333 thousands respectively. Subsequently, after adjusting the cost to raise equity of SR 5,459 thousands, the net balance in the share premium account, amounting to SR 7,874 thousands, 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 six-month period 30 June 2012, the increase in share capital amounting to SR 66,667 thousands has been classified as share capital.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 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 28 Sha'ban 1433 H, corresponding to 18 July 2012.