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

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

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

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

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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 June 2015, and the related interim statements of insurance operations and accumulated surplus, shareholders' operations and comprehensive income for the three-month and six-month period then ended and the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the six-month period then ended and related notes from 1 to 13 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

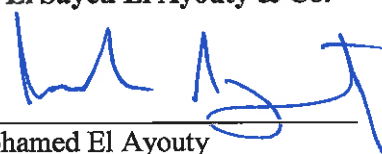
We draw attention to the fact that these interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.

for KPMG Al Fozan & Al Sadhan



Ebrahim Oboud Baeshen
Certified Public Accountant
Licence No. 382

for El Sayed El Ayouy & Co.



Mohamed El Ayouy
Certified Public Accountant
Licence No. 211



Jeddah, Kingdom of Saudi Arabia
25 Ramadan 1436H
Corresponding to 12 July 2015



ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2015

		30 June 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000
	<u>Notes</u>		
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	132,778	102,711
Trading investments held to cover unit-linked liabilities	4	764,177	703,574
Contribution receivable		3,281	2,759
Accrued income	8(b)	481	483
Prepayments and other receivables		1,314	422
Reinsurance share of outstanding claims		13,994	4,902
Reinsurance balances receivable		4,092	-
Reinsurance share of unearned contribution		912	25
Furniture, fittings and office equipment		6,125	1,028
Total Insurance Operations' Assets		927,154	815,904
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	10	106
Trading investments	4	131,652	130,776
Due from Insurance Operations		48,726	29,787
Prepayments and other receivables		4,457	4,319
Statutory deposit		16,667	16,667
Total Shareholders' Assets		201,512	181,655
TOTAL ASSETS		1,128,666	997,559


Director


Chief Financial Officer


Chief Executive Officer

The accompanying notes 1 to 13 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 June 2015

	<i>Notes</i>	30 June 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance Operations' Liabilities			
Technical reserve for Insurance Operations	6	792,708	730,726
Unearned contribution - gross		2,068	33
Outstanding claims - gross		16,460	6,148
Reinsurance balances payable		44,868	20,561
Due to related parties	8(b)	1,804	7,617
Due to Shareholders' Operations		48,726	29,787
Contributions received in advance		454	747
Accruals and other payables		11,228	14,356
Employees' end of service benefits		1,133	969
Total Insurance Operations' Liabilities		919,449	810,944
Insurance Operations' Surplus			
Surplus from Insurance Operations		7,705	4,960
Total Insurance Operations' Liabilities and Surplus		927,154	815,904
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' Liabilities			
Accruals and other payables		2,442	3,386
Accrued Zakat and tax	5	13,695	12,718
Total Shareholders' Liabilities		16,137	16,104
Shareholders' Equity			
Share capital		166,667	166,667
Statutory reserve		10,041	7,874
Retained earnings/(accumulated losses)		8,667	(8,990)
Total Shareholders' Equity		185,375	165,551
Total Shareholders' Liabilities and Equity		201,512	181,655
TOTAL INSURANCE OPERATIONS' LIABILITIES, SURPLUS, SHAREHOLDERS' LIABILITIES AND EQUITY		1,128,666	997,559

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 13 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 2015

		Three-month period ended 30 June		Six-month period ended 30 June	
		2015	2014	2015	2014
	Notes	SR'000	SR'000	SR'000	SR'000
INSURANCE REVENUE					
Gross contributions		46,318	39,669	140,482	127,667
Investible contribution, net		(28,693)	(25,531)	(60,192)	(48,948)
Net insurance contributions		17,625	14,138	80,290	78,719
Reinsurance ceded		(3,937)	(3,607)	(41,684)	(37,221)
Net written contributions		13,688	10,531	38,606	41,498
Change in net unearned contribution		6,189	8,423	(1,148)	(5,113)
Net insurance revenue		19,877	18,954	37,458	36,385
CLAIMS AND EXPENSES					
Gross claims paid		(12,275)	(7,932)	(32,787)	(9,915)
Reinsurance share of claims paid		10,511	6,523	27,314	8,308
Net claims paid		(1,764)	(1,409)	(5,473)	(1,607)
Change in outstanding claims provision	7	(1,326)	(2,613)	(907)	(6,527)
Net claims incurred		(3,090)	(4,022)	(6,380)	(8,134)
Policy related fees and other expenses		(2,969)	(5,118)	(5,633)	(9,905)
Supervision and inspection fee		(354)	(308)	(906)	(849)
Total claims and expenses		(6,413)	(9,448)	(12,919)	(18,888)
Underwriting surplus for the period		13,464	9,506	24,539	17,497
Investment fund fee	8	1,411	1,222	2,723	2,374
General and administration expenses		(3,414)	(2,721)	(6,645)	(5,046)
Other income	1(b)	-	-	6,838	-
Surplus for the period from Insurance Operations		11,461	8,007	27,455	14,825
Shareholders' share of surplus from Insurance Operations	2(a)	(10,315)	(7,206)	(24,710)	(13,342)
Policyholders' share of surplus for the period		1,146	801	2,745	1,483
Accumulated policyholders' surplus at the beginning of the period		6,559	1,851	4,960	1,169
ACCUMULATED POLICYHOLDERS' SURPLUS AT THE END OF THE PERIOD		7,705	2,652	7,705	2,652

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 13 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 2015

	<i>Notes</i>	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
		<u><i>2015</i></u> <i>SR'000</i>	<u><i>2014</i></u> <i>SR'000</i>	<u><i>2015</i></u> <i>SR'000</i>	<u><i>2014</i></u> <i>SR'000</i>
Shareholders' share of surplus from Insurance Operations	2(a)	10,315	7,206	24,710	13,342
Unrealised gain on investment	4	371	697	876	1,368
Total income		10,686	7,903	25,586	14,710
General and administration expenses		(1,943)	(1,291)	(2,932)	(2,776)
NET INCOME FOR THE PERIOD		8,743	6,612	22,654	11,934
Weighted average number of ordinary shares outstanding (in thousands)	11	16,667	16,667	16,667	16,667
Earnings per share for the period (SR)	11	0.52	0.40	1.36	0.72

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 13 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 six-month periods ended 30 June 2015

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
NET INCOME FOR THE PERIOD	8,743	6,612	22,654	11,934
Zakat and income tax for the period (note 5)	(1,238)	(1,029)	(2,830)	(1,978)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>7,505</u>	<u>5,583</u>	<u>19,824</u>	<u>9,956</u>

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 13 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 2015

For the six-month period ended 30 June 2015

	<i>Share capital SR '000</i>	<i>Statutory reserve SR '000</i>	<i>Retained earnings/ (accumulated losses) SR '000</i>	<i>Total SR '000</i>
Balance as at 31 December 2014 (audited)	166,667	7,874	(8,990)	165,551
Net income for the six-month period	-	-	22,654	22,654
Zakat and income tax for the six-month period (note 5)	-	-	(2,830)	(2,830)
Transfer to statutory reserve	-	2,167	(2,167)	-
Balance at 30 June 2015 (unaudited)	166,667	10,041	8,667	185,375

For the six-month period ended 30 June 2014

	<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 six-month period	-	-	11,934	11,934
Zakat and income tax for the six-month period (note 5)	-	-	(1,978)	(1,978)
Balance at 30 June 2014 (unaudited)	166,667	7,874	(24,946)	149,595

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 13 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 six-month period ended 30 June 2015

	<u>2015</u> <u>SR'000</u>	<u>2014</u> <u>SR'000</u>
OPERATING ACTIVITIES		
Policyholders' share of surplus for the period after shareholders' share	2,745	1,483
Adjustments for the period:		
Depreciation	141	271
Employees' end of service benefits, net	164	363
Reinsurance share of unearned contribution	(887)	(5,533)
Unearned contribution – gross	2,035	10,646
Allowance for doubtful receivables	-	10
	<u>4,198</u>	<u>7,240</u>
Changes in operating assets and liabilities:		
Trading investments held to cover unit-linked liabilities	(58,501)	(50,517)
Contribution receivable	(522)	(3,134)
Accrued income	2	(15)
Prepayments and other receivables	(892)	(603)
Reinsurance share of outstanding claims	(9,092)	(10,714)
Reinsurance balances receivable	(4,092)	-
Technical reserve for Insurance Operations	59,880	61,013
Outstanding benefits – gross	10,312	13,393
Reinsurance balances payable	24,307	28,047
Due to Shareholders' Operations	18,939	4,664
Due to a related party	(5,813)	327
Contributions received in advance	(293)	11,002
Accruals and other payables	(3,128)	1,066
Net cash from operating activities	<u>35,305</u>	<u>61,769</u>
INVESTING ACTIVITY		
Purchase of furniture, fittings and office equipment	(5,238)	(62)
Net increase in cash and cash equivalents	<u>30,067</u>	<u>61,707</u>
Cash and cash equivalents at the beginning of the period	<u>102,711</u>	<u>34,781</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u><u>132,778</u></u>	<u><u>96,488</u></u>

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 13 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 six-month period ended 30 June 2015

	<u>2015</u> <u>SR'000</u> <i>(unaudited)</i>	<u>2014</u> <u>SR'000</u> <i>(unaudited)</i>
OPERATING ACTIVITIES		
Net income for the period	22,654	11,934
Adjustments for the period:		
Unrealised gain on trading investments	(876)	(1,368)
	<u>21,778</u>	<u>10,566</u>
Changes in operating assets and liabilities:		
Prepayments and other receivables	(138)	(4,157)
Due from Insurance Operations	(18,939)	(4,664)
Accruals and other payables	(944)	(293)
Zakat and income tax paid	(1,853)	(542)
	<u>(96)</u>	<u>910</u>
Net (decrease)/increase in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	<u>106</u>	<u>200</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u><u>10</u></u>	<u><u>1,110</u></u>

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 13 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 June 2015

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 June 2015, the Company is owned 71.15% by Saudi founding shareholders and general public and 28.85% by non-Saudi shareholders.

- (a) 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 was approved by the shareholders of the Company in the General Assembly Meeting held on 8 April 2014.
- (b) The Company signed an agency agreement with AlAhli Insurance Marketing Services Company Limited (the “Agency”), a subsidiary of the National Commercial Bank (NCB), a major shareholder, on 19 March 2015 for the purpose of marketing and sale of the Company’s products through distribution channels of NCB for a period of 10 years. This Agreement supersedes the previous distribution agreement signed with NCB. Under this arrangement, the Agency is entitled to fixed amount per policy issued as commission in case of retail products of the Company. The agreement is effective from 1 July 2014. Accordingly, excess of fees accrued under previous distribution agreement over the fees payable under the agency agreement for six month period ended 31 December 2014 amounting to SR 6.84 million has been reversed and recorded as other income in these interim condensed financial statements.

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 2014 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

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 2015

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

a) Basis of presentation (continued)

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.

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>
IAS 19	Amendments to IAS 19: the amendment provides relief, based on meeting certain criteria's, from the requirements proposed in the amendments of 2011 for attributing employee / third party contributions to periods of service under the plan benefit formula or on a straight line basis. The current amendment gives an option, if conditions satisfy, to reduce service cost in period in which the related service is rendered.
IFRS 3	Amendments to IFRS 3 Business Combinations: amendment to clarify the classification and measurement of contingent consideration in a business combination. It has been further amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in IFRS 11.
IFRS 8	Amendments to IFRS 8 Operating Segments: amendment requiring explicitly disclosure of judgments made by management in applying aggregation criteria.
IFRS 13	Amendments to IFRS 13 Fair Value Measurement: amendment to clarify measurement of interest free short-term receivables and payables at their invoiced amount without discounting, if the effect of discounting is immaterial. It has been further amended to clarify that the portfolio exception potentially applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.
IAS 16 and IAS 38	Amendments to IAS 16 "Property plant and equipment" and IAS 38 "intangible assets": amendments to clarify the requirements of revaluation model recognizing that the restatement of accumulated depreciation (amortisation) is not always proportionate to the change in the gross carrying amount of the asset.
IAS 24	Amendments to IAS 24 Related Party Disclosures: the definition of a related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or indirectly.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 2015

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

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>
IAS 1	Amendments to IAS 1 Disclosure Initiative	1 January 2016
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
IFRS 10, IFRS 12 and IAS 28	Amendments to IFRS 10, IFRS 12 and IAS 28 Investment entities: applying the consolidation exception	1 January 2016
IFRS 10 and IAS 28	Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint venture.	1 January 2016

3 CASH AND CASH EQUIVALENTS

	<u>30 June 2015</u> (Unaudited) SR'000	<u>31 December 2014</u> (Audited) SR'000
<i>Insurance Operations</i>		
Cash in hand	4	4
Cash at bank (see note 3.1)	132,774	102,707
	<u>132,778</u>	<u>102,711</u>
<i>Shareholders' Operations</i>		
Cash at bank (see note 3.1)	<u>10</u>	<u>106</u>

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

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2015

4 TRADING INVESTMENTS

	<u>30 June</u> <u>2015</u> (Unaudited) SR'000	<u>31 December</u> <u>2014</u> (Audited) SR'000
Insurance Operations		
Al Manarah Conservative Growth Strategy	451,327	419,522
Al Manarah Medium Growth Strategy	180,253	163,788
Al Manarah High Growth Strategy	132,597	120,264
	<u>764,177</u>	<u>703,574</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.

	<u>30 June</u> <u>2015</u> (Unaudited) SR'000	<u>31 December</u> <u>2014</u> (Audited) SR'000
Shareholders' Operations		
Al Ahli Takaful discretionary portfolio	131,652	130,776

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 six-month period ended 30 June 2015 and year ended 31 December 2014 is as follows:

	<u>30 June</u> <u>2015</u> (Unaudited) SR'000	<u>31 December</u> <u>2014</u> (Audited) SR'000
Insurance Operations		
Balance at the beginning of the period / year	703,574	609,459
Purchased during the period / year	58,501	89,800
Unrealised gain during the period / year (note 6 (b))	2,102	4,315
	<u>764,177</u>	<u>703,574</u>
Balance at the end of the period / year	<u>764,177</u>	<u>703,574</u>
	<u>30 June</u> <u>2015</u> (Unaudited) SR'000	<u>31 December</u> <u>2014</u> (Audited) SR'000
Shareholders' Operations		
Balance at the beginning of the period / year	130,776	128,659
Unrealised gain during the period / year	876	2,117
	<u>131,652</u>	<u>130,776</u>
Balance at the end of the period / year	<u>131,652</u>	<u>130,776</u>

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2015

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 six-month period ended 30 June 2015 and year ended 31 December 2014 is as follows:

	<i>30 June 2015 (Unaudited) SR'000</i>	<i>31 December 2014 (Audited) SR'000</i>
Balance at the beginning of the period / year	12,718	8,925
Charge for the period / year	2,830	4,335
Zakat and income tax paid	(1,853)	(542)
Balance at the end of the period / year	<u>13,695</u>	<u>12,718</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 2014.

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 thousand. The Company filed an appeal against additional Zakat of SR 3,921 thousand and paid additional withholding tax of SR 76 thousand and a delay penalty of SR 26 thousand 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 2014 have not yet been raised by the DZIT. However, the DZIT issued initial assessments for the years 2010 through 2014, disallowing investments from the Zakat base with additional Zakat liability of SR 1,051 thousand, SR 1,000 thousand, SR 2,312 thousand, SR 2,585 thousand and SR 2,623 thousand respectively. The Company filed an appeal against the initial assessments and is confident of a favourable outcome.

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 2015 (Unaudited) SR'000</i>	<i>31 December 2014 (Audited) SR'000</i>
Technical reserve relating to the Participant Investment		
Strategies (unit liability)	786,391	724,096
Allowance for the retained risk	3,202	4,056
Incurred But Not Reported (IBNR) reserves	3,115	2,574
	<u>792,708</u>	<u>730,726</u>

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2015

6 TECHNICAL RESERVE FOR INSURANCE OPERATIONS (continued)

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

	<i>30 June 2015 (Unaudited) SR'000</i>	<i>31 December 2014 (Audited) SR'000</i>
Balance as at the beginning of the period / year	730,726	617,660
Change in Incurred But Not Reported claims (IBNR) reserve	541	2,180
Change in retained risk	(854)	2,874
Unrealized gain on investment (note 4)	2,102	4,315
Investible contribution, net	60,192	104,163
Others	1	(466)
	<u>792,708</u>	<u>730,726</u>
Balance as at the end of the period / year	<u>792,708</u>	<u>730,726</u>

7 CHANGE IN NET OUTSTANDING CLAIMS PROVISION

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
	<i>2015 (Unaudited) SR'000</i>	<i>2014 (Unaudited) SR'000</i>	<i>2015 (Unaudited) SR'000</i>	<i>2014 (Unaudited) SR'000</i>
Change in outstanding claims – Gross	6,412	7,542	10,312	13,393
Change in outstanding claims – Reinsurance	(5,595)	(6,033)	(9,092)	(10,714)
Change in Incurred But Not Reported claims (IBNR)	945	544	541	1,044
Change in allowance for the retained risk	(436)	560	(854)	2,804
	<u>1,326</u>	<u>2,613</u>	<u>907</u>	<u>6,527</u>
Movement in outstanding claims provision	<u>1,326</u>	<u>2,613</u>	<u>907</u>	<u>6,527</u>

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 2015

8 RELATED PARTY TRANSACTIONS AND BALANCES

Insurance Operations

- a) Following are the details of major related party transactions during the six-month period ended 30 June 2015 and 2014:

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transactions</u>	
			<u>2015</u>	<u>2014</u>
			(Unaudited)	(Unaudited)
			SR'000	SR'000
Insurance Operations				
National Commercial Bank	Shareholder	Gross Group Insurance contribution	49,574	60,665
		Acquisition fee paid for distributing the products	-	2,631
		Entrance fee	-	599
		Administration fee	-	2,517
AlAhli Insurance Marketing Services Company Limited	Subsidiary of a shareholder	Agency commission and others (note 1(b))	1,677	-
FWU	Shareholder	Entrance fee	-	429
		Administration fee	1,730	1,775
		Service charges (note 1(a))	1,865	1,800
NCB Capital	Subsidiary of a shareholder	Investment fund fee	2,723	2,374
Key management personnel		Short-term benefits	1,673	1,456
		End of service benefits	82	75

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

	<u>30 June</u> <u>2015</u> (Unaudited) SR'000	<u>31 December</u> <u>2014</u> (Audited) SR'000
Gross contribution receivable from a related party – Shareholder	1,104	745
Payable to Technical Shareholder	(407)	(288)
Payable to Distributing Shareholder (note 1(b))	(1,397)	(7,329)
Accrued investment fund fee receivable from subsidiary of a Shareholder	481	483
Outstanding claims – gross	(13,580)	(6,148)

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 2015

8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- 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.

Shareholders' Operations

- a) Following are the details of Board of Directors' remuneration and related expenses during the six-month period ended 30 June 2015:

	<i>Amount of transactions</i>	
	<u>2015</u>	<u>2014</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	SR'000	SR'000
Board remuneration	825	940
Board attendance fees	70	54
Board accommodation and travel	497	-

- b) Payable to Board of Directors

	<u>30 June</u>	<u>31 December</u>
	<u>2015</u>	<u>2014</u>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	SR'000	SR'000
Remuneration and other expenses payable to Board members	1,801	1,571

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. 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 June 2015

9 OPERATING SEGMENT INFORMATION (continued)

Three-month period ended 30 June 2015 (unaudited)

	<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	42,421	91	3,806	46,318
Investible contribution, net	(28,693)	-	-	(28,693)
Net insurance contributions	13,728	91	3806	17,625
Reinsurance ceded	(1,503)	(70)	(2,364)	(3,937)
Net written contributions	12,225	21	1,442	13,688
Change in net unearned contribution	-	554	5,635	6,189
Net insurance revenue	12,225	575	7,077	19,877
CLAIMS AND EXPENSES				
Gross claims paid	(134)	(1,100)	(11,041)	(12,275)
Reinsurance share of claims paid	121	880	9,510	10,511
Net claims paid	(13)	(220)	(1,531)	(1,764)
Change in outstanding claims provision	(201)	(544)	(581)	(1,326)
Net claims incurred	(214)	(764)	(2,112)	(3,090)
Policy related fees and other expenses	(2,920)	-	(49)	(2,969)
Supervision and inspection fee	(335)	-	(19)	(354)
Total claims and expenses	(3,469)	(764)	(2,180)	(6,413)
Underwriting surplus/(deficit) for the period	8,756	(189)	4,897	13,464
Unallocated amounts:				
- Investment fund fee				1,411
- General and administration expenses				(3,414)
Surplus for the period from Insurance Operations				11,461

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2015

9 OPERATING SEGMENT INFORMATION (continued)

	<i>Three-month period ended 30 June 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	35,131	34	4,504	39,669
Investible contribution, net	(25,531)	-	-	(25,531)
Net insurance contributions	9,600	34	4,504	14,138
Reinsurance ceded	(1,299)	(13)	(2,295)	(3,607)
Net written contributions	8,301	21	2,209	10,531
Change in net unearned contribution	-	659	7,764	8,423
Net insurance revenue	8,301	680	9,973	18,954
CLAIMS AND EXPENSES				
Gross claims paid	(146)	(300)	(7,486)	(7,932)
Reinsurance share of claims paid	131	240	6,152	6,523
Net claims paid	(15)	(60)	(1,334)	(1,409)
Change in outstanding claims provision	(186)	55	(2,482)	(2,613)
Net claims incurred	(201)	(5)	(3,816)	(4,022)
Policy related fees and other expenses	(5,118)	-	-	(5,118)
Supervision and inspection fee	(286)	-	(22)	(308)
Total claims and expenses	(5,605)	(5)	(3,838)	(9,448)
Underwriting surplus for the period	2,696	675	6,135	9,506
Unallocated amounts:				
- Investment fund fee				1,222
- General and administration expenses				(2,721)
Surplus for the period from Insurance Operations				8,007

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 2015

9 OPERATING SEGMENT INFORMATION (continued)

	<i>Six-month period ended 30 June 2015 (unaudited)</i>			
	<i>Insurance - individual</i>	<i>Insurance- group life</i>	<i>Insurance- group credit protection</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
INSURANCE REVENUE				
Gross contributions	85,344	4,079	51,059	140,482
Investible contribution, net	(60,192)	-	-	(60,192)
Net insurance contributions	25,152	4,079	51,059	80,290
Reinsurance ceded	(2,904)	(1,780)	(37,000)	(41,684)
Net written contributions	22,248	2,299	14,059	38,606
Change in net unearned contribution	-	(1,148)	-	(1,148)
Net insurance revenue	22,248	1,151	14,059	37,458
CLAIMS AND EXPENSES				
Gross claims paid	(274)	(3,050)	(29,463)	(32,787)
Reinsurance share of claims paid	246	2,440	24,628	27,314
Net claims paid	(28)	(610)	(4,835)	(5,473)
Change in outstanding claims provision	(403)	(284)	(220)	(907)
Net claims incurred	(431)	(894)	(5,055)	(6,380)
Policy related fees and other expenses	(5,526)	-	(107)	(5,633)
Supervision and inspection fee	(640)	(12)	(254)	(906)
Total claims and expenses	(6,597)	(906)	(5,416)	(12,919)
Underwriting surplus for the period	15,651	245	8,643	24,539
Unallocated amounts:				
- Investment fund fee				2,723
- General and administration expenses				(6,645)
- Other income				6,838
Surplus for the period from Insurance Operations				27,455

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 2015

9 OPERATING SEGMENT INFORMATION (continued)

	<i>Six-month period ended 30 June 2014 (unaudited)</i>			
	<i>Insurance - individual</i>	<i>Insurance- group life</i>	<i>Insurance- group credit protection</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
INSURANCE REVENUE				
Gross contributions	67,002	4,408	56,257	127,667
Investible contribution, net	(48,948)	-	-	(48,948)
Net insurance contributions	18,054	4,408	56,257	78,719
Reinsurance ceded	(2,509)	(1,690)	(33,022)	(37,221)
Net written contributions	15,545	2,718	23,235	41,498
Change in net unearned contribution	-	(1,365)	(3,748)	(5,113)
Net insurance revenue	15,545	1,353	19,487	36,385
CLAIMS AND EXPENSES				
Gross claims paid	(445)	(300)	(9,170)	(9,915)
Reinsurance share of claims paid	401	240	7,667	8,308
Net claims paid	(44)	(60)	(1,503)	(1,607)
Change in outstanding claims provision	(329)	(338)	(5,860)	(6,527)
Net claims incurred	(373)	(398)	(7,363)	(8,134)
Policy related fees and other expenses	(9,905)	-	-	(9,905)
Supervision and inspection fee	(546)	(22)	(281)	(849)
Total claims and expenses	(10,824)	(420)	(7,644)	(18,888)
Underwriting surplus for the period	4,721	933	11,843	17,497
Unallocated amounts:				
- Investment fund fee				2,374
- General and administration expenses				(5,046)
Surplus for the period from Insurance Operations				14,825

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 2015

9 OPERATING SEGMENT INFORMATION (continued)

	<i>As at 30 June 2015 (unaudited)</i>			
	<i><u>Insurance - individual</u></i>	<i><u>Insurance- group life</u></i>	<i><u>Insurance group credit protection</u></i>	<i><u>Total</u></i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
INSURANCE OPERATIONS' ASSETS				
Cash and cash equivalents	96,627	243	35,908	132,778
Trading investments held to cover unit-linked liabilities	764,177	-	-	764,177
Contribution receivable	-	13	3,268	3,281
Accrued income	481	-	-	481
Reinsurance share of outstanding claims	-	2,225	11,769	13,994
Reinsurance balances receivable	-	-	4,092	4,092
Reinsurance share of unearned contribution	-	912	-	912
	<u>861,285</u>	<u>3,393</u>	<u>55,037</u>	<u>919,715</u>
Unallocated amounts:				
- Prepayments and other receivables				1,314
- Furniture, fittings and office equipment				6,125
Total Insurance Operations' Assets				<u><u>927,154</u></u>
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS				
Insurance Operations' Liabilities				
Technical reserve for Insurance Operations	788,246	95	4,367	792,708
Unearned contribution – gross	-	2,068	-	2,068
Outstanding claims – gross	324	2,750	13,386	16,460
Reinsurance balances payable	9,019	87	35,762	44,868
Due to related parties	1,804	-	-	1,804
Contributions received in advance	454	-	-	454
Accruals and other payables	8,657	-	2,571	11,228
	<u>808,504</u>	<u>5,000</u>	<u>56,086</u>	<u>869,590</u>
Unallocated amounts:				
- Due to Shareholders Operations				48,726
- Employees' end of service benefits				1,133
Total Insurance Operations' Liabilities				<u>919,449</u>
Surplus from Insurance Operations				<u>7,705</u>
Total Insurance Operations' Liabilities and Surplus				<u><u>927,154</u></u>

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 2015

9 OPERATING SEGMENT INFORMATION (continued)

	<i>As at 31 December 2014(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	84,808	1,082	16,821	102,711
Trading investments held to cover unit-linked liabilities	703,574	-	-	703,574
Contribution receivable	-	4	2,755	2,759
Accrued income	483	-	-	483
Reinsurance share of outstanding claims	-	-	4,902	4,902
Reinsurance share of unearned contribution	-	25	-	25
	<u>788,865</u>	<u>1,111</u>	<u>24,478</u>	<u>814,454</u>
Unallocated amounts:				
- Prepayments and other receivables				422
- Furniture, fittings and office equipment				1,028
Total Insurance Operations' Assets				<u><u>815,904</u></u>
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS				
Insurance Operations' Liabilities				
Technical reserve for Insurance Operations	725,550	336	4,840	730,726
Unearned contribution – gross	-	33	-	33
Outstanding claims – gross	324	-	5,824	6,148
Reinsurance balances payable	6,992	747	12,822	20,561
Due to related parties	7,617	-	-	7,617
Contributions received in advance	747	-	-	747
Accruals and other payables	12,365	-	1,991	14,356
	<u>753,595</u>	<u>1,116</u>	<u>25,477</u>	<u>780,188</u>
Unallocated amounts:				
- Due to Shareholders Operations				29,787
- Employees' end of service benefits				969
Total Insurance Operations' Liabilities				<u>810,944</u>
Surplus from Insurance Operations				4,960
Total Insurance Operations' Liabilities and Surplus				<u><u>815,904</u></u>

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2015

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 June 2015, 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 June 2015 and 31 December 2014, 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 COMPARATIVE FIGURES

Certain prior period amounts have been reclassified to conform with current period presentation.

13 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors on 25 Ramadan 1436H, corresponding to 12 July 2015.