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

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
30 SEPTEMBER 2016**

ALAHLI TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2016

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**INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED
FINANCIAL STATEMENTS**

**TO THE SHAREHOLDERS OF ALAHLI TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)**

Scope of limited 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 2016, and the related interim statements of insurance operations and accumulated surplus, shareholders' operations, shareholders' comprehensive income for the three-month and nine-month periods 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 1 to 16 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 limited review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with IAS 34.

Emphasis of matter

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

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18 October 2016
17 Muharram 1438 H

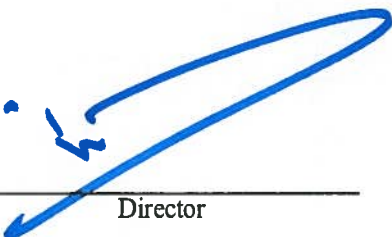


ALAHLI TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

		30 September 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
	Notes		
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	4	57,526	38,821
Unit-linked investments	5	761,835	778,665
FVIS investments	6	121,354	70,034
Contribution receivable	11(b)	2,110	3,024
Accrued income	11(b)	855	487
Reinsurance share of outstanding claims		46,939	12,120
Reinsurance balances receivable		3,770	176
Reinsurance share of unearned contribution		17,897	100
Prepayments and other receivables		1,479	605
Furniture, fittings and office equipment		7,346	7,447
Total Insurance Operations' Assets		1,021,111	911,479
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	4	1,051	1,308
FVIS investments	6	167,217	164,450
Available for sale investments	7	11,792	14,144
Due from Insurance Operations		26,499	13,006
Due from related party	11(b)	673	-
Prepayments and other receivables		4,097	4,066
Return on investment of statutory deposit		660	411
Statutory deposit		16,667	16,667
Total Shareholders' Assets		228,656	214,052
TOTAL ASSETS		1,249,767	1,125,531


Director


Chief Financial Officer


Chief Executive Officer

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

ALAHLI TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION (continued)

As at 30 September 2016

		30 September 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
	Notes		
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance Operations' Liabilities			
Technical reserve for Insurance Operations	9	784,486	798,125
Unearned contribution - gross		27,610	174
Outstanding claims – gross		54,213	14,417
Reinsurance balances payable		97,773	55,033
Due to related parties	11(b)	1,939	2,061
Due to Shareholders' Operations		26,499	13,006
Contributions received in advance		128	656
Accruals and other payables		14,654	17,422
Employees' end of service benefits		1,507	1,280
Total Insurance Operations' Liabilities		1,008,809	902,174
Insurance Operations' Surplus			
Surplus from Insurance Operations		12,302	9,305
Total Insurance Operations' Liabilities and Surplus		1,021,111	911,479
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' Liabilities			
Accruals and other payables		3,619	3,677
Dividends payable		690	-
Accrued Zakat and income tax	8	17,944	15,799
Accrued return on investment of statutory deposit		660	411
Total Shareholders' Liabilities		22,913	19,887
Shareholders' Equity			
Share capital		166,667	166,667
Statutory reserve		15,975	11,970
Retained earnings		24,071	16,384
Cumulative changes in fair value of available for sale investments		(970)	(856)
Total Shareholders' Equity		205,743	194,165
Total Shareholders' Liabilities and Equity		228,656	214,052
TOTAL INSURANCE OPERATIONS' LIABILITIES, SURPLUS, SHAREHOLDERS' LIABILITIES AND EQUITY		1,249,767	1,125,531

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 16 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
For the three-month and nine-month periods ended 30 September 2016

		<i>Three-month period ended 30 September (Unaudited)</i>		<i>Nine-month period ended 30 September (Unaudited)</i>	
		<i>2016 SR'000</i>	<i>2015 SR'000</i>	<i>2016 SR'000</i>	<i>2015 SR'000</i>
<i>Notes</i>					
INSURANCE REVENUE					
Gross contributions		114,984	111,606	295,497	294,824
Investible contribution, net		(49,865)	(52,997)	(153,276)	(155,925)
Net insurance contributions		65,119	58,609	142,221	138,899
Reinsurance ceded		(36,105)	(34,590)	(74,313)	(76,274)
Net written contributions		29,014	24,019	67,908	62,625
Change in net unearned contribution		(8,292)	(5,544)	(9,640)	(6,692)
Net insurance revenue		20,722	18,475	58,268	55,933
CLAIMS AND EXPENSES					
Gross claims paid		(10,709)	(18,105)	(39,039)	(50,893)
Reinsurance share of claims paid		9,518	15,708	34,576	43,022
Net claims paid		(1,191)	(2,397)	(4,463)	(7,871)
Change in net outstanding claims and technical reserve	10	(3,710)	(725)	(7,721)	(1,632)
Net claims incurred		(4,901)	(3,122)	(12,184)	(9,503)
Policy related fees and other expenses		(1,505)	(2,674)	(5,953)	(8,307)
Supervision and inspection fee		(577)	(557)	(1,479)	(1,463)
Total claims and expenses		(6,983)	(6,353)	(19,616)	(19,273)
Underwriting surplus for the period		13,739	12,122	38,652	36,660
Investment fund fee	11(a)	1,180	1,524	4,108	4,247
General and administration expenses		(4,920)	(4,558)	(14,179)	(11,203)
Other income		667	-	1,394	6,838
Surplus for the period from Insurance Operations		10,666	9,088	29,975	36,542
Shareholders' share of surplus from Insurance Operations	2(b)	(9,600)	(8,179)	(26,978)	(32,888)
Policyholders' share of surplus for the period		1,066	909	2,997	3,654
Accumulated policyholders' surplus at the beginning of the period		11,236	7,705	9,305	4,960
ACCUMULATED POLICYHOLDERS' SURPLUS AT THE END OF THE PERIOD		12,302	8,614	12,302	8,614

Director

Chief Financial Officer

Chief Executive Officer

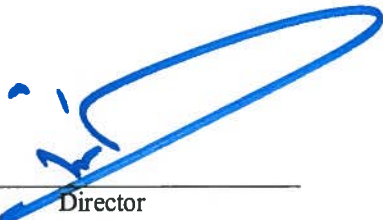
The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

ALAHLI TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)


INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS

For the three-month and nine-month periods ended 30 September 2016


	<i>Notes</i>	<i>Three-month period ended 30 September (Unaudited)</i>		<i>Nine-month period ended 30 September (Unaudited)</i>	
		<i>2016 SR'000</i>	<i>2015 SR'000</i>	<i>2016 SR'000</i>	<i>2015 SR'000</i>
Shareholders' share of surplus from Insurance Operations	2(b)	9,600	8,179	26,978	32,888
Unrealised gains/(losses) on FVIS investments	6	1,063	(772)	2,767	104
Other income		100	-	749	-
Total income		10,763	7,407	30,494	32,992
General and administration expenses		(1,430)	(1,147)	(4,194)	(4,078)
Impairment loss on available for sale investments	7	(2,238)	-	(2,238)	-
NET INCOME FOR THE PERIOD		7,095	6,260	24,062	28,914
Weighted average number of ordinary shares outstanding (in thousands)	14	16,667	16,667	16,667	16,667
Earnings per share for the period (SR)	14	0.43	0.38	1.44	1.73



Director



Chief Executive Officer



Chief Financial Officer

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ALAHLI TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME

For the three-month and nine-month periods ended 30 September 2016

	<i>Three-month period ended 30 September (Unaudited)</i>		<i>Nine-month period ended 30 September (Unaudited)</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
NET INCOME FOR THE PERIOD	7,095	6,260	24,062	28,914
Other comprehensive income				
<i>Items not to be reclassified to statement of shareholders' operations in subsequent periods</i>				
Zakat and income tax for the period (note 8)	(1,306)	(1,042)	(4,037)	(3,872)
<i>Items to be reclassified to statement of shareholders' operations in subsequent periods</i>				
Net change in fair value of available for sale investments (note 7)	540	(548)	(114)	(548)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	6,329	4,670	19,911	24,494



Director



Chief Financial Officer



Chief Executive Officer

The accompanying notes 1 to 16 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 period ended 30 September 2016

For the nine-month period ended 30 September 2016 (Unaudited)

	Share capital SR '000	Statutory reserve SR '000	Retained earnings SR '000	Cumulative changes in fair value of available for sale investments SR '000	Total SR '000
Balance as at 31 December 2015 (audited)	166,667	11,970	16,384	(856)	194,165
Net income for the nine-month period	-	-	24,062	-	24,062
Dividend (note 15)	-	-	(8,333)	-	(8,333)
Other comprehensive income: Net change in fair value of available for sale investments (note 7)	-	-	-	(114)	(114)
Zakat and income tax for the nine-month period (note 8)	-	-	(4,037)	-	(4,037)
Transfer to statutory reserve	-	4,005	(4,005)	-	-
Balance at 30 September 2016 (unaudited)	166,667	15,975	24,071	(970)	205,743

For the nine-month period ended 30 September 2015 (Unaudited)

	Share capital SR '000	Statutory reserve SR '000	(Accumulated losses)/retained earnings SR '000	Cumulative changes in fair value of available for sale investments SR '000	Total SR '000
Balance as at 31 December 2014 (audited)	166,667	7,874	(8,990)	-	165,551
Net income for the nine-month period	-	-	28,914	-	28,914
Other comprehensive income: Net change in fair value of available for sale investments	-	-	-	(548)	(548)
Zakat and income tax for the nine- month period (note 8)	-	-	(3,872)	-	(3,872)
Transfer to statutory reserve	-	3,210	(3,210)	-	-
Balance at 30 September 2015 (unaudited)	166,667	11,084	12,842	(548)	190,045

Director

Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 16 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

For the nine-month period ended 30 September 2016

	<i>For the nine-month period ended 30 September 2016 (Unaudited) SR' 000</i>	<i>For the nine-month period ended 30 September 2015 (Unaudited) SR' 000</i>
OPERATING ACTIVITIES		
Policyholders' share of surplus for the period	2,997	3,654
Adjustment for the period:		
Depreciation	1,565	207
Employees' end of service benefits, net	227	223
Reinsurance share of unearned contribution	(17,797)	(17,006)
Unearned contribution – gross	27,436	23,699
Allowance for doubtful receivables	225	187
Unrealised gains on re-measurement of FVIS investments	(1,320)	-
	13,333	10,964
Changes in operating assets and liabilities:		
Unit-linked investments, net	16,830	(63,637)
Contribution receivable	689	433
Reinsurance balances receivable	(3,594)	(6,436)
Accrued income	(368)	5
Prepayments and other receivables	(874)	(664)
Reinsurance share of outstanding claims	(34,819)	(12,793)
Technical reserve for Insurance Operations	(13,639)	65,450
Outstanding claims – gross	39,796	14,205
Reinsurance balances payable	42,740	47,577
Due to Shareholders' Operations	13,493	(22,641)
Due to related parties	(122)	(5,754)
Contributions received in advance	(528)	(97)
Accruals and other payables	(2,768)	(264)
Net cash from operating activities	70,169	26,348
INVESTING ACTIVITIES		
Purchase of furniture, fittings and office equipment	(1,464)	(5,653)
Purchase of FVIS investments	(50,000)	-
Net cash used in investing activities	(51,464)	(5,653)
Net increase in cash and cash equivalents	18,705	20,695
Cash and cash equivalents at the beginning of the period	38,821	102,711
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	57,526	123,406

Director

Chief Financial Officer

Chief Executive Officer

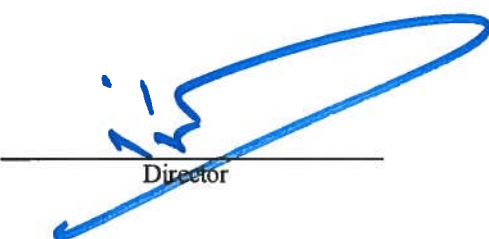
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ALAHLI TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the nine-month period ended 30 September 2016

		<i>For the nine-month period ended 30 September 2016</i>	<i>For the nine-month period ended 30 September 2015</i>
	<i>Note</i>	<i>(Unaudited) SR' 000</i>	<i>(Unaudited) SR' 000</i>
OPERATING ACTIVITIES			
Net income for the period		24,062	28,914
Adjustment for the period:			
Unrealised gains on remeasurement of FVIS investments		(2,767)	(104)
Impairment loss on available for sale investments		2,238	-
		<u>23,533</u>	<u>28,810</u>
Changes in operating assets and liabilities:			
Due from a related party		(673)	-
Prepayments and other receivables		(31)	(125)
Return on investment of statutory deposit		(249)	(54)
Due from Insurance Operations		(13,493)	22,641
Accruals and other payables		(58)	(648)
Accrued return on investment of statutory deposit		249	54
Zakat and income tax paid	8	(1,892)	(1,853)
Net cash from operating activities		<u>7,386</u>	<u>48,825</u>
INVESTING ACTIVITY			
Purchase of investments		-	(22,500)
FINANCING ACTIVITY			
Dividends paid, net		(7,643)	-
Net (decrease)/increase in cash and cash equivalents		(257)	26,325
Cash and cash equivalents at the beginning of the period		1,308	106
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u><u>1,051</u></u>	<u><u>26,431</u></u>



 Director



 Chief Financial Officer



 Chief Executive Officer

The accompanying notes 1 to 16 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

At 30 September 2016

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 2016, the Company is owned 71.15% by Saudi founding shareholders and general public and 28.85% by non-Saudi founding shareholders.

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 a fixed amount on each 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 during the nine months period ended 30 September 2015, and recorded as other income in those interim condensed financial statements.

2 BASIS OF PREPARATION

a) Basis of measurement

The interim condensed financial statements are prepared on historical cost basis except for the measurement of Unit Linked Investments, Fair Value through Income Statements (FVIS) investments and Available For Sale (AFS) investments at their fair values.

b) Statement of compliance

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.

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 2016

2 BASIS OF PREPARATION (continued)

b) Statement of compliance (continued)

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

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

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

The Company presents its interim statement of financial position in order of liquidity. Except for statutory deposit all other financial assets and liabilities are expected to be recovered and settled respectively, within twelve months after the reporting date.

c) Functional and presentation currency

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.

d) Judgement and estimates

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 estimate and judgments used by management in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2015.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 2015 and new amended IFRS and International Financial Reporting Interpretations Committee Interpretations (IFRIC) as mentioned in note 3(a) which had no impact on the financial position or financial performance of the Company. Certain comparative amounts have been reclassified / regrouped to conform to the current period's presentation. This did not have any impact on interim statement of changes in shareholders' equity for the period.

ALAHLI TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) 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):

<i>Standard / Amendments</i>	<i>Description</i>
IFRS 14	IFRS 14 – “Regulatory Deferral Accounts”, applicable for the annual periods beginning on or after 1 January 2016, allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first time adoption of IFRS. The standard does not apply to existing IFRS preparers. Also, an entity whose current GAAP does not allow the recognition of rate-regulated assets and liabilities, or that has not adopted such policy under its current GAAP, would not be allowed to recognise them on first-time application of IFRS.
IFRS 10 IFRS 11 IFRS 12 IAS 28	Amendments to IFRS 10 – “Consolidated Financial Statements”, IFRS 12 – “Disclosure of Interests in Other Entities” and IAS 28 – “Investments in Associates”, applicable for the annual periods beginning on or after 1 January 2016, address three issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures its subsidiaries at fair value. Furthermore, only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. Amendments to IFRS 11 – “Joint Arrangements”, applicable for the annual periods beginning on or after 1 January 2016, require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS 3 – “Business Combinations” and other IFRSs that do not conflict with the requirements of IFRS 11 Joint Arrangements. Furthermore, entities are required to disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by one of the parties to the joint operation on its formation. Furthermore, the amendments clarify that, for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held interests in the joint operation must not be re-measured if the joint operator retains joint control
IAS 1	Amendments to IAS 1 – “Presentation of Financial Statements”, applicable for the annual periods beginning on or after 1 January 2016, clarify, existing IAS 1 requirements in relation to; <ul style="list-style-type: none"> • The materiality requirements in IAS 1 • That specific line items in the statement(s) of profit or loss and other comprehensive income (“OCI”) and the statement of financial position may be disaggregated • That entities have flexibility as to the order in which they present the notes to financial statements • That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

The amendments further clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

ALAHLI TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) New IFRS, IFRIC and amendments thereof, adopted by the Company (continued)

<i>Standard / Amendments</i>	<i>Description</i>
IAS 16 & IAS 38	Amendments to IAS 16 – “Property, Plant and Equipment” and IAS 38 – “Intangible Assets”, applicable for the annual periods beginning on or after 1 January 2016, restricts the use of ratio of revenue generated to total revenue expected to be generated to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.
IAS 16, IAS 41 & IAS 20	Amendments to IAS 16 – “Property, Plant and Equipment” and IAS 41 – “Agriculture”, applicable for the annual periods beginning on or after 1 January 2016, change the scope of IAS 16 to include biological assets that meet the definition of bearer plants. Agricultural produce growing on bearer plants will remain within the scope of IAS 41. In addition, government grants relating to bearer plants will be accounted for in accordance with IAS 20 – “Accounting for Government Grants and Disclosure of Government Assistance”, instead of IAS 41.
IAS 27	Amendments to IAS 27 – “Separate Financial Statements”, applicable for the annual periods beginning on or after 1 January 2016, allows an entity to use the equity method as described in IAS 28 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements.
IFRS 5	Amendments to IFRS 5 – “Non-current Assets Held for Sale and Discontinued Operations”, applicable for the annual periods beginning on or after 1 January 2016, amended to clarify that changing from one disposal method to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5.
IFRS 7	Amendments to IFRS 7 – “Financial Instruments: Disclosures”, applicable for the annual periods beginning on or after 1 January 2016, has been amended to clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. The nature of the fee and the arrangement should be assessed in order to consider whether the disclosures are required under IFRS 7 and the assessment must be done retrospectively. IFRS 7 has been further amended to clarify that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.
IAS 19	Amendments to IAS 19 – “Employee Benefits”, applicable for the annual periods beginning on or after 1 January 2016, clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
IAS 34	Amendments to IAS 34 – “Interim Financial Reporting”, applicable for the annual periods beginning on or after 1 January 2016, clarifies that the required interim disclosures must be either in the interim financial statements or incorporated by cross-referencing to the interim financial report (e.g., in the management commentary or risk report). However, the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) New IFRS, IFRIC and Amendments thereof, 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.

<i>Standard/ Interpretation</i>	<i>Description</i>	<i>Effective from periods beginning on or after the following date</i>
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IAS 12	Amendments to IAS 12 Recognition of deferred tax assets for unrealized losses	1 January 2017

The management is currently assessing the implications of adopting the above mentioned standards, amendments or interpretations on the Company's financial statements.

4 CASH AND CASH EQUIVALENTS

	<i>30 September 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Cash in hand	4	4
Cash at bank (note 4.1)	57,522	38,817
	<u>57,526</u>	<u>38,821</u>
<i>Shareholders' Operations</i>		
Cash at bank (note 4.1)	1,051	1,308
	<u>1,051</u>	<u>1,308</u>

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

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5 UNIT-LINKED INVESTMENTS

Insurance Operations

Unit-linked investments comprise units of fund of funds, denominated in United States Dollars, which are managed by a subsidiary of the Company's major shareholder and are based in Kingdom of Saudi Arabia.

	30 September 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
Investment held to cover unit-linked liabilities:		
AlAhli Multi-Asset Conservative Fund	444,636	462,769
AlAhli Multi-Asset Moderate Fund	183,719	182,997
AlAhli Multi-Asset Growth Fund	133,480	132,899
	761,835	778,665

The movement in unit-linked investments during the nine-month period ended 30 September 2016 and year ended 31 December 2015 is as follows:

	30 September 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
Insurance Operations		
Balance at the beginning of the period/year	778,665	703,574
Purchased during the period/year	-	90,501
Redemption during the period/ year	(29,500)	-
Unrealised gains/(losses) during the period/year (note 9(b))	12,670	(15,410)
Balance at the end of the period/year	761,835	778,665

6 FVIS INVESTMENTS

Insurance Operations

FVIS investments of Insurance Operations represent investments in AlAhli Saudi Riyal Trade fund (a quoted income fund), managed by a subsidiary of the Company's major shareholder and is based in Kingdom of Saudi Arabia. This investment is designated as FVIS investment upon initial recognition because it is managed on fair value basis and its performance is actively monitored.

	30 September 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
AlAhli Saudi Riyal Trade fund	121,354	70,034

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2016

6 FVIS INVESTMENTS (continued)

Shareholders' Operations

	<i>30 September 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
AlAhli Takaful discretionary portfolio	160,138	156,950
Investment in a real estate fund	7,079	7,500
	<u>167,217</u>	<u>164,450</u>

AlAhli Takaful discretionary portfolio is managed by a subsidiary of the Company's major shareholder. Discretionary portfolio is invested in securities issued by financial institutions, government entities, and mutual funds which are denominated in Saudi Arabian Riyals and US Dollars.

The movement in the FVIS investments is as follows:

	<i>30 September 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Balance at the beginning of the period/year	70,034	-
Purchased during the period/year	50,000	70,000
Unrealised gain during the period/year	1,320	34
Realised gain during the period/year	73	-
Net cash received	(73)	-
	<u>121,354</u>	<u>70,034</u>
Balance at the end of the period/year	<u>121,354</u>	<u>70,034</u>

	<i>30 September 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
<i>Shareholders' Operations</i>		
Balance at the beginning of the period/year	164,450	130,776
Purchased during the period/year	-	32,500
Unrealised gain during the period/year	2,767	1,174
	<u>167,217</u>	<u>164,450</u>
Balance at the end of the period/year	<u>167,217</u>	<u>164,450</u>

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7 AVAILABLE FOR SALE INVESTMENTS

	<i>30 September 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
Shareholders' Operations		
Balance at the beginning of the period/year	14,144	-
Purchased during the period/year	-	15,000
Impairment loss during the period/year	(2,238)	-
Unrealised loss during the period/year	(114)	(856)
Balance at the end of the period/year	11,792	14,144

Available for sale investment comprise of investment in shares of certain companies listed in Kingdom of Saudi Arabia.

8 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 2016 and year ended 31 December 2015 is as follows:

	<i>30 September 2016 (Unaudited) SR'000</i>	<i>30 September 2015 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
Balance at the beginning of the period/year	15,799	12,718	12,718
Charge for the period/year	4,037	3,872	4,934
Zakat and income tax paid	(1,892)	(1,853)	(1,853)
Balance at the end of the period/year	17,944	14,737	15,799

Status of assessments

Zakat and income tax returns have been submitted to General Authority of Zakat and Tax (GAZT) for the period ended 31 December 2007 and for the years ended 31 December 2008 through 2015.

The GAZT 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. The Preliminary Appeal Committee [PAC] issued their decision upholding GAZT's treatment. The Company has filed an appeal against the PAC decision with the Higher Appeal Committee [HAC] and submitted a bank guarantee for the amount under dispute. The management is confident of a favourable outcome from HAC.

GAZT has issued initial assessments for the years 2010 through 2014, disallowing investments from the Zakat base with additional Zakat liability of SR 9,571 thousands. The Company filed an appeal against these initial assessments and is confident of a favourable outcome.

The GAZT has not yet raised any assessment for 2015.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2016

9 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:

	30 September 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
Technical reserve relating to the Participant Investment Strategies (unit liability)	771,244	787,627
Allowance for the retained risk	4,524	5,535
Incurred But Not Reported (IBNR) reserves	8,718	4,963
	784,486	798,125

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

	30 September 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
Balance as at the beginning of the period/year	798,125	730,726
Change in Incurred But Not Reported claims (IBNR) reserve	3,755	2,389
Change in allowance for the retained risk	(1,011)	2,031
Unrealised gains/(losses) on unit-linked investments (note 5)	12,670	(15,410)
Investible contribution	153,276	208,303
Surrenders and maturities	(182,329)	(129,362)
Others	-	(552)
Balance as at the end of the period/year	784,486	798,125

10 CHANGES IN NET OUTSTANDING CLAIMS AND TECHNICAL RESERVE

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2016 (Unaudited) SR'000	2015 (Unaudited) SR'000	2016 (Unaudited) SR'000	2015 (Unaudited) SR'000
Change in outstanding claims – Gross	4,871	3,893	39,796	14,205
Change in outstanding claims – Reinsurance	(4,276)	(3,701)	(34,819)	(12,793)
Change in Incurred But Not Reported claims (IBNR)	2,301	(112)	3,755	429
Change in allowance for the retained risk	814	645	(1,011)	(209)
Movement in net outstanding claims provision	3,710	725	7,721	1,632

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

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11 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 2016 and 2015:

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<i>For the nine-month period then ended 30 September 2016</i> (Unaudited) SR'000	<i>For the nine-month period then ended 30 September 2015</i> (Unaudited) SR'000
<i>Insurance Operations</i>				
National Commercial Bank	Shareholder	Gross Group Insurance contribution	108,333	95,514
		Gross claims paid	38,229	50,512
AlAhli Insurance Marketing Services Company Limited	Subsidiary of a shareholder	Agency commission and others (note 1)	2,033	2,467
FWU	Shareholder	Administration fee	2,243	2,585
		Service charges	1,200	2,765
NCB Capital	Subsidiary of a shareholder	Investment fund fee	4,108	4,247
		Dividend receivable	749	-
Key management personnel		Short-term benefits	2,411	2,518
		End of service benefits	115	119

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

	<i>30 September 2016</i> (Unaudited) SR'000	<i>31 December 2015</i> (Audited) SR'000
Receivable from National Commercial Bank - a shareholder – net	2,110	3,024
Receivable from NCB Capital – subsidiary of a shareholder	673	-
Payable to FWU – a shareholder	(235)	(302)
Payable to AlAhli Insurance Marketing Services Company Limited - subsidiary of a shareholder (note 1)	(1,704)	(1,759)
	(1,939)	(2,061)
Accrued investment fund fee receivable from subsidiary of a Shareholder	855	487
Outstanding claims from National Commercial Bank - a shareholder - gross	(51,198)	(10,315)

- c) In addition to the disclosures set out in note 1, 4, 5 and 6 relating to related parties, amount due from and due to related parties are shown in the Interim Statement of Financial Position.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2016

11 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Shareholders' Operations

- a) Following are the details of Board of Directors' and members of other committees remuneration and related expenses during the nine-month period ended 30 September 2016 and 2015:

	<i>For the nine-month period then ended 30 September 2016 (Unaudited) SR'000</i>	<i>For the nine-month period then ended 30 September 2015 (Unaudited) SR'000</i>
Board and other committees remuneration	1,518	1,237
Board and other committees attendance fees	143	108
Board accommodation and travel	314	597
b) Payable to Board of Directors and members of other committees		
	<i>30 September 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
Remuneration and other expenses payable to Board and other committees	1,806	2,204

12 OPERATING SEGMENT INFORMATION

Operating segments are reported in manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Chief Executive Officer who makes strategic decisions. 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 organisation. This segment also includes protection benefits in respect of various credit facilities other than personal loans extended by the financing organisations to its customers.

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2016

12 OPERATING SEGMENT INFORMATION (continued)

	<i>Three-month period ended 30 September 2016 (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	61,145	381	53,458	114,984
Investible contribution, net	(49,865)	-	-	(49,865)
Net insurance contributions	11,280	381	53,458	65,119
Reinsurance ceded	(1,297)	(199)	(34,609)	(36,105)
Net written contributions	9,983	182	18,849	29,014
Change in net unearned contribution	-	556	(8,848)	(8,292)
Net insurance revenue	9,983	738	10,001	20,722
CLAIMS AND EXPENSES				
Gross claims paid	(332)	-	(10,377)	(10,709)
Reinsurance share of claims paid	299	-	9,219	9,518
Net claims paid	(33)	-	(1,158)	(1,191)
Change in outstanding claims and technical reserve	(142)	(176)	(3,392)	(3,710)
Net claims incurred	(175)	(176)	(4,550)	(4,901)
Policy related fees and other expenses	(1,505)	-	-	(1,505)
Supervision and inspection fee	(307)	(2)	(268)	(577)
Total claims and expenses	(1,987)	(178)	(4,818)	(6,983)
Underwriting surplus for the period	7,996	560	5,183	13,739
Investment fund fee	1,180	-	-	1,180
	9,176	560	5,183	14,919
Unallocated amounts:				
- General and administration expenses				(4,920)
- Other income				667
Surplus for the period from Insurance Operations				10,666

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2016

12 OPERATING SEGMENT INFORMATION (continued)

	<i>Three-month period ended 30 September 2015 (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	65,447	425	45,734	111,606
Investible contribution, net	(52,997)	-	-	(52,997)
Net insurance contributions	12,450	425	45,734	58,609
Reinsurance ceded	(1,459)	(205)	(32,926)	(34,590)
Net written contributions	10,991	220	12,808	24,019
Change in net unearned contribution	-	393	(5,937)	(5,544)
Net insurance revenue	10,991	613	6,871	18,475
CLAIMS AND EXPENSES				
Gross claims paid	(107)	(2,800)	(15,198)	(18,105)
Reinsurance share of claims paid	96	2,240	13,372	15,708
Net claims paid	(11)	(560)	(1,826)	(2,397)
Change in outstanding claims and technical reserve	(194)	464	(995)	(725)
Net claims incurred	(205)	(96)	(2,821)	(3,122)
Policy related fees and other expenses	(2,672)	-	(2)	(2,674)
Supervision and inspection fee	(327)	(2)	(228)	(557)
Total claims and expenses	(3,204)	(98)	(3,051)	(6,353)
Underwriting surplus for the period	7,787	515	3,820	12,122
Investment fund fee	1,524	-	-	1,524
	9,311	515	3,820	13,646
Unallocated amounts:				
- General and administration expenses				(4,558)
Surplus for the period from Insurance Operations				9,088

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2016

12 OPERATING SEGMENT INFORMATION (continued)

	<i>Nine-month period ended 30 September 2016 (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	186,674	7,232	101,591	295,497
Investible contribution, net	(153,276)	-	-	(153,276)
Net insurance contributions	33,398	7,232	101,591	142,221
Reinsurance ceded	(3,958)	(4,086)	(66,269)	(74,313)
Net written contributions	29,440	3,146	35,322	67,908
Change in net unearned contribution	-	(792)	(8,848)	(9,640)
Net insurance revenue	29,440	2,354	26,474	58,268
CLAIMS AND EXPENSES				
Gross claims paid	(651)	(2,509)	(35,879)	(39,039)
Reinsurance share of claims paid	586	2,052	31,938	34,576
Net claims paid	(65)	(457)	(3,941)	(4,463)
Change in outstanding claims provision	(149)	255	(7,827)	(7,721)
Net claims incurred	(214)	(202)	(11,768)	(12,184)
Policy related fees and other expenses	(5,953)	-	-	(5,953)
Supervision and inspection fee	(936)	(35)	(508)	(1,479)
Total claims and expenses	(7,103)	(237)	(12,276)	(19,616)
Underwriting surplus for the period	22,337	2,117	14,198	38,652
Investment fund fee	4,108	-	-	4,108
	26,445	2,117	14,198	42,760
Unallocated amounts:				
- General and administration expenses				(14,179)
- Other income				1,394
Surplus for the period from Insurance Operations				29,975

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2016

12 OPERATING SEGMENT INFORMATION (continued)

	<i>Nine-month period ended 30 September 2015 (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	193,527	4,504	96,793	294,824
Investible contribution, net	(155,925)	-	-	(155,925)
Net insurance contributions	37,602	4,504	96,793	138,899
Reinsurance ceded	(4,363)	(1,985)	(69,926)	(76,274)
Net written contributions	33,239	2,519	26,867	62,625
Change in net unearned contribution	-	(754)	(5,938)	(6,692)
Net insurance revenue	33,239	1,765	20,929	55,933
CLAIMS AND EXPENSES				
Gross claims paid	(381)	(5,850)	(44,662)	(50,893)
Reinsurance share of claims paid	342	4,680	38,000	43,022
Net claims paid	(39)	(1,170)	(6,662)	(7,871)
Change in outstanding claims provision	(597)	180	(1,215)	(1,632)
Net claims incurred	(636)	(990)	(7,877)	(9,503)
Policy related fees and other expenses	(8,198)	-	(109)	(8,307)
Supervision and inspection fee	(968)	(13)	(482)	(1,463)
Total claims and expenses	(9,802)	(1,003)	(8,468)	(19,273)
Underwriting surplus for the period	23,437	762	12,461	36,660
Investment fund fee	4,247	-	-	4,247
	27,684	762	12,461	40,907
Unallocated amounts:				
- General and administration expenses				(11,203)
- Other income				6,838
Surplus for the period from Insurance Operations				36,542

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2016

12 OPERATING SEGMENT INFORMATION (continued)

	<i>As at 30 September 2016 (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	29,530	2,872	25,124	57,526
Unit-linked investments	761,835	-	-	761,835
FVIS investments	40,993	-	80,361	121,354
Contribution receivable	-	429	1,681	2,110
Accrued income	855	-	-	855
Reinsurance share of outstanding claims	1,359	1,736	43,844	46,939
Reinsurance balances receivable	-	1,106	2,664	3,770
Reinsurance share of unearned contribution	-	1,222	16,675	17,897
	<u>834,572</u>	<u>7,365</u>	<u>170,349</u>	<u>1,012,286</u>
Unallocated amounts:				
- Prepayments and other receivables				1,479
- Furniture, fittings and office equipment				7,346
Total Insurance Operations’ Assets				<u><u>1,021,111</u></u>
INSURANCE OPERATIONS’ LIABILITIES AND SURPLUS				
Insurance Operations’ Liabilities				
Technical reserve for Insurance Operations	773,239	245	11,002	784,486
Unearned contribution – gross	-	2,088	25,522	27,610
Outstanding claims – gross	1,510	2,170	50,533	54,213
Reinsurance balances payable	11,889	2,862	83,022	97,773
Due to related parties	1,939	-	-	1,939
Contributions received in advance	128	-	-	128
Accruals and other payables	6,711	2	266	6,979
	<u>795,416</u>	<u>7,367</u>	<u>170,345</u>	<u>973,128</u>
Unallocated amounts:				
- Accruals and other payables				7,675
- Due to Shareholders Operations				26,499
- Employees’ end of service benefits				1,507
Total Insurance Operations’ Liabilities				<u>1,008,809</u>
Surplus from Insurance Operations				12,302
Total Insurance Operations’ Liabilities and Surplus				<u><u>1,021,111</u></u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

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12 OPERATING SEGMENT INFORMATION (continued)

	<i>As at 31 December 2015 (Audited)</i>			
	<i>Insurance - individual SR '000</i>	<i>Insurance- group SR '000</i>	<i>Insurance- group credit protection SR '000</i>	<i>Total SR '000</i>
INSURANCE OPERATIONS' ASSETS				
Cash and cash equivalents	18,432	485	19,904	38,821
Unit-linked investments	778,665	-	-	778,665
FVIS investments	38,500	-	31,534	70,034
Contribution receivable	-	10	3,014	3,024
Accrued income	487	-	-	487
Reinsurance share of outstanding claim	794	2,680	8,646	12,120
Reinsurance balances receivable	-	-	176	176
Reinsurance share of unearned contribution	-	100	-	100
	<u>836,878</u>	<u>3,275</u>	<u>63,274</u>	<u>903,427</u>
Unallocated amounts:				
- Prepayments and other receivables				605
- Furniture, fittings and office equipment				7,447
Total Insurance Operations' assets				<u>911,479</u>
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS				
Insurance Operations' liabilities				
Technical reserve for Insurance Operations	789,212	264	8,649	798,125
Unearned contribution – gross	-	174	-	174
Outstanding claims – gross	1,206	3,350	9,861	14,417
Reinsurance balances payable	9,108	347	45,578	55,033
Due to related parties	2,061	-	-	2,061
Contributions received in advance	656	-	-	656
Accruals and other payables	17,414	2	6	17,422
	<u>819,657</u>	<u>4,137</u>	<u>64,094</u>	<u>887,888</u>
Unallocated amounts:				
- Due to Shareholders Operations				13,006
- Employees' end of service benefits				1,280
Total Insurance Operations' liabilities				<u>902,174</u>
Surplus from Insurance Operations				9,305
Total Insurance Operations' liabilities and surplus				<u>911,479</u>

ALAHLI TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2016

13 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 and cash equivalents, unit-linked investments, FVIS investments, available for sale investments, contribution receivable, other receivables, due from insurance operations and its financial liabilities consist of outstanding claims, reinsurance balances payable, amount due to related parties, due to shareholders' operations and other payables. The fair values of financial instruments are not materially different from their carrying values. As at 30 September 2016, apart from the investments which are carried at fair value (note 5 & 6), 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 2016 and 31 December 2015, all financial instruments which are fair valued are Level 2 instruments except for available for sale investments which are Level 1 investments. The Company determines Level 2 fair values for unit-linked and FVIS investments based on the net assets value of the respective funds as at the end of the reporting period. There are no transfers between Level 1, Level 2 and Level 3 during the period.

14 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 interim statement of financial position date. Diluted earnings per share is not applicable to the Company.

15 DIVIDEND

On 19 Jumada Al-Awwal 1437H (corresponding to 28 February 2016), the Company's Board of Directors proposed to pay a dividend, for the year ended 31 December 2015, of SR 0.5 per share totalling SR 8.33 million to its shareholders (30 September 2015: Nil). This dividend proposal was approved by the shareholders in the Ordinary General Assembly Meeting held on 24 Rajab 1437H (corresponding to 1 May 2016). Accordingly, the dividend payment was made on 13 Shab'an 1437H (corresponding to 26 May 2016).

16 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors on 18 October 2016, corresponding to 17 Muharram 1438 H.