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

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED
31 MARCH 2013**

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2013**

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

We have reviewed the accompanying interim statement of financial position of Al Ahli Takaful Company - a Saudi Joint Stock Company (the "Company") as at 31 March 2013, and the related interim statements of insurance operations and accumulated surplus, shareholders' operations, comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the three month period then ended. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34") and submitted to us together with all the information and explanations which we required. We conducted our review in accordance with the Standard on Review of Interim Financial Information issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with Generally Accepted Auditing Standards in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

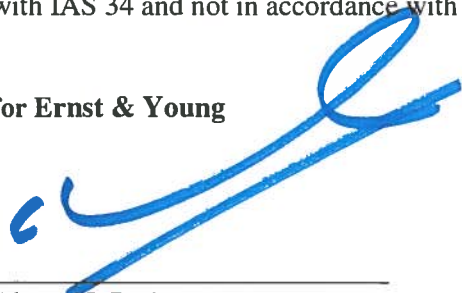
Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with IAS 34.

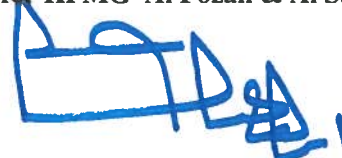
Emphasis of matter

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

for Ernst & Young

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Certified Public Accountant
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for KPMG Al Fozan & Al Sadhan


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License No. 382Jeddah, Kingdom of Saudi Arabia
20 April 2013
10 Jumada Al Thani 1434H

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

		31 March 2013 (Unaudited) SR'000	31 December 2012 (Audited) SR'000
	<i>Notes</i>		
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	24,869	19,817
Trading investments held to cover unit-linked liabilities	4	516,877	479,814
Contribution receivable from a related party	8(b)	157	184
Accrued income		350	326
Prepayments and other receivables		1,525	332
Reinsurance share of unearned contribution		4,018	-
Furniture, fittings and office equipment		1,451	1,896
Total Insurance Operations' assets		549,247	502,369
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	39	65
Trading investments	4	125,631	122,943
Due from Insurance Operations		2,591	2,318
Prepayments and other receivables		399	217
Statutory deposit		16,667	16,667
Total Shareholders' assets		145,327	142,210
TOTAL ASSETS		694,574	644,579



 Director



 Chief Financial Officer



 Chief Executive Officer

The accompanying notes 1 to 11 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 31 March 2013

		31 March 2013 (Unaudited) SR'000	31 December 2012 (Audited) SR'000
	<i>Notes</i>		
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance Operations' liabilities			
Technical reserve for Insurance Operations	6	521,469	485,169
Unearned contribution – gross		5,160	-
Reinsurance balances payable		11,728	5,332
Due to related parties	8(c)	614	1,879
Due to Shareholders' Operations		2,591	2,318
Contributions received in advance		726	570
Accruals and other payables		5,491	5,866
Employees' end of service benefits		733	700
Total Insurance Operations' liabilities		548,512	501,834
Insurance Operations' surplus			
Surplus from Insurance Operations		735	535
Total Insurance Operations' liabilities and surplus		549,247	502,369
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accruals and other payables		946	1,578
Accrued Zakat and tax	5	7,091	6,268
Total shareholders' liabilities		8,037	7,846
Shareholders' equity			
Share capital		166,667	166,667
Statutory reserve		7,874	7,874
Accumulated losses		(37,251)	(40,177)
Total shareholders' equity		137,290	134,364
Total shareholders' liabilities and equity		145,327	142,210
TOTAL INSURANCE OPERATIONS' LIABILITIES, SURPLUS, SHAREHOLDERS' LIABILITIES AND EQUITY		694,574	644,579

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 11 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 period ended 31 March 2013

		Three-month period ended 31 March	
		2013	2012
	Notes	SR'000	SR'000
INSURANCE REVENUE			
Gross contributions		40,788	44,893
Investible contribution, net		(24,110)	(31,456)
Net insurance contributions		16,678	13,437
Reinsurance ceded		(7,860)	(5,316)
Net written contributions		8,818	8,121
Change in net unearned contribution		(1,142)	(774)
Net insurance revenue		7,676	7,347
CLAIMS AND EXPENSES			
Gross claims paid		(997)	(1,772)
Reinsurance share of claims paid		898	1,595
Net claims paid		(99)	(177)
Change in outstanding claims provision	7	28	(94)
Net claims incurred		(71)	(271)
Acquisition fee paid to the Distributing Shareholder	8	-	(725)
Entrance fee paid to the Technical and Distributing Shareholders	8	(893)	(880)
Administration fee paid to the Distributing Shareholder	8	(1,651)	(2,638)
Supervision and inspection fee		(314)	(323)
Other direct underwriting expenses		(73)	(73)
Total claims and expenses		(3,002)	(4,910)
Underwriting surplus for the period		4,674	2,437
Investment fund fee	8	945	706
General and administration expenses		(3,623)	(2,600)
Surplus for the period from Insurance Operations		1,996	543
Shareholders' share of surplus from Insurance Operations	2(a)	(1,796)	(489)
Policyholders' share of surplus for the period		200	54
Accumulated policyholders' surplus at the beginning of the period		535	1,022
Policyholders' surplus distributed during the period		-	(426)
ACCUMULATED POLICYHOLDERS' SURPLUS AT THE END OF THE PERIOD		735	650



Director



Chief Financial Officer

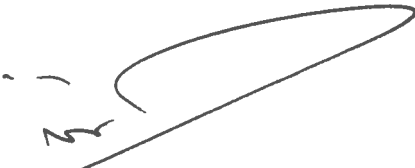


Chief Executive Officer

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ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
INTERIM STATEMENT OF SHAREHOLDERS OPERATIONS (UNAUDITED)
For the three-month period ended 31 March 2013

	<i>Notes</i>	<i>Three-month period ended 31 March</i>	
		<u>2013</u> SR'000	<u>2012</u> SR'000
Shareholders' share of surplus from Insurance Operations	2(a)	1,796	489
Unrealised gain on investment	4	2,688	654
Total income		4,484	1,143
General and administration expenses		(735)	(738)
NET INCOME FOR THE PERIOD		3,749	405
Weighted average number of ordinary shares outstanding (in thousands)		16,667	11,538
Net income per share for the period (SR)		0.22	0.04



Director



Chief Financial Officer




Chief Executive Officer

The accompanying notes 1 to 11 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 period ended 31 March 2013

	<i>Three-month period ended</i>	
	<i>31 March</i>	
	<u><i>2013</i></u>	<u><i>2012</i></u>
	<i>SR'000</i>	<i>SR'000</i>
NET INCOME FOR THE PERIOD	3,749	405
OTHER COMPREHENSIVE INCOME/(EXPENSE)	-	-
Zakat and income tax for the period (note 5)	(823)	(278)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>2,926</u>	<u>127</u>



Director



Chief Financial Officer



Chief Executive Officer

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ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
For the three-month period ended 31 March 2013

<i>For the three-month period ended 31 March 2013</i>					
	<i>Share capital SR '000</i>	<i>Increase in share capital SR '000</i>	<i>Statutory reserve SR '000</i>	<i>Accumulated losses SR '000</i>	<i>Total SR '000</i>
Balance as at 31 December 2012 (audited)	166,667	-	7,874	(40,177)	134,364
Net income for the three-month period	-	-	-	3,749	3,749
Zakat for the three-month period	-	-	-	(823)	(823)
Balance at 31 March 2013	166,667	-	7,874	(37,251)	137,290

<i>For the three-month period ended 31 March 2012</i>					
	<i>Share capital SR '000</i>	<i>Increase in 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 2011 (audited)	100,000	66,667	7,874	(38,948)	135,593
Transfer to share capital	66,667	(66,667)	-	-	-
Net income for the three-month period	-	-	-	405	405
Zakat for the three-month period	-	-	-	(278)	(278)
Balance at 31 March 2012	166,667	-	7,874	(38,821)	135,720

Director

Chief Executive Officer

Chief Financial Officer

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ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the three-month period ended 31 March 2013

	<i>Notes</i>	<u>2013</u> <u>SR'000</u>	<u>2012</u> <u>SR'000</u>
OPERATING ACTIVITIES			
Surplus for the period from Insurance Operations		1,996	543
Adjustment for the period:			
Shareholders' share of surplus from Insurance Operations		(1,796)	(489)
Depreciation		452	455
Employees' end of service benefits, net		33	39
Unrealised gain on trading investments held to cover unit-linked liabilities	4	(12,264)	(4,684)
Reinsurance share of unearned contribution		(4,018)	(1,839)
Unearned contribution – gross		5,160	2,531
Deferred commission revenue – group and credit life		-	(179)
Allowance for doubtful receivables		27	-
		<u>(10,410)</u>	<u>(3,623)</u>
Changes in operating assets and liabilities:			
Trading investments held to cover unit-linked liabilities		(24,799)	(42,200)
Due to Shareholders' Operations		273	513
Contribution receivable from a related party		-	605
Accrued income		(24)	(29)
Prepayments and other receivables		(1,193)	(874)
Reinsurance share of outstanding benefits receivable		-	191
Technical reserve for Insurance Operations		36,300	38,738
Outstanding benefits – gross		-	(213)
Reinsurance balances payable		6,396	(1,717)
Due to a related party		(1,265)	875
Contributions received in advance		156	(427)
Accruals and other payables		(375)	(1,374)
		<u>5,059</u>	<u>(9,535)</u>
Net cash from/ (used in) operating activities			
INVESTING ACTIVITY			
Purchase of furniture, fittings and office equipment		(7)	(23)
FINANCING ACTIVITY			
Surplus distributed		-	(426)
Net increase/(decrease) in cash and cash equivalents		5,052	(9,984)
Cash and cash equivalents at the beginning of the period		19,817	28,580
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u>24,869</u>	<u>18,596</u>

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the three-month period ended 31 March 2013

	<i>Notes</i>	<u>2013</u> <u>SR'000</u>	<u>2012</u> <u>SR'000</u>
OPERATING ACTIVITIES			
Net income for the period		3,749	405
Adjustments for the period:			
Unrealised gain on trading investments	4	(2,688)	(654)
		<u>1,061</u>	<u>(249)</u>
Changes in operating assets and liabilities:			
Prepayments and other receivables		(182)	(180)
Due from Insurance Operations		(273)	(513)
Accruals and other payables		(632)	(3,925)
		<u>(26)</u>	<u>(4,867)</u>
Net cash used in operating activities			
INVESTING ACTIVITY			
Purchase of trading investments		-	(77,446)
		<u>(26)</u>	<u>(82,313)</u>
Net decrease in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		65	82,868
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u>39</u>	<u>555</u>

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 11 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 31 March 2013

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) *Basis of presentation*

The interim condensed financial statements of the Company have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting (IAS 34). The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements.

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

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

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

As required by Saudi Arabian Insurance Regulations, the Company maintains separate books of account for the Insurance Operations and Shareholders’ Operations. Revenues and expenses clearly attributable to either activity are recorded in the respective books of accounts. The basis of allocation of expenses from joint operations has been determined by the management and approved by the Board of Directors.

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

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

If the insurance operations result in deficit, the entire deficit is borne by the shareholders operations.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

<u>Standard/ Interpretation</u>	<u>Description</u>
IFRS 7	Amendment to IFRS 7 Disclosure – offsetting financial assets and financial liabilities
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosures of interests in other entities
IFRS 13	Fair value measurement
IAS 1	Amendments to IAS 1 Presentation of items of Other Comprehensive Income
IAS 19	Revision to IAS 19 Employee benefits
IAS 27	Separate Financial Statements
IAS 28	Investments in Associates & Joint ventures
IAS 32	Amendment to IAS 32 Tax effects of distributions to holders of equity instruments
IAS 34	Amendment to IAS 34 Interim financial reporting and segment information for total assets and liabilities

3 CASH AND CASH EQUIVALENTS

	<u>31 March 2013</u> (Unaudited) SR'000	<u>31 December 2012</u> (Audited) SR'000
<i>Insurance Operations</i>		
Cash in hand	4	5
Cash at bank	24,865	19,812
	<u>24,869</u>	<u>19,817</u>
<i>Shareholders' Operations</i>		
Cash at banks	39	65
	<u>39</u>	<u>65</u>

4 TRADING INVESTMENTS

	<u>31 March 2013</u> (Unaudited) SR'000	<u>31 December 2012</u> (Audited) SR'000
<i>Insurance Operations</i>		
Al Manarah Conservative Growth Strategy	314,146	293,389
Al Manarah Medium Growth Strategy	119,325	110,493
Al Manarah High Growth Strategy	83,406	75,932
	<u>516,877</u>	<u>479,814</u>

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2013

4 TRADING INVESTMENTS (continued)

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

	<i>31 March</i> <u><i>2013</i></u> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December</i> <u><i>2012</i></u> <i>(Audited)</i> <i>SR'000</i>
<i>Shareholders' Operations</i>		
Al Ahli Takaful Discretionary Portfolio	<u>125,631</u>	<u>122,943</u>

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

The movement in the trading investments during the three-month period ended 31 March 2013 and year ended 31 December 2012 is as follows:

	<i>31 March</i> <u><i>2013</i></u> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December</i> <u><i>2012</i></u> <i>(Audited)</i> <i>SR'000</i>
<i>Insurance Operations</i>		
Balance at the beginning of the period/year	479,814	344,972
Purchased during the period/year	24,799	123,901
Unrealised gain during the period/year	12,264	10,941
Balance at the end of the period/year	<u>516,877</u>	<u>479,814</u>
	<i>31 March</i> <u><i>2013</i></u> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December</i> <u><i>2012</i></u> <i>(Audited)</i> <i>SR'000</i>
<i>Shareholders' Operations</i>		
Balance at the beginning of the period/year	122,943	50,370
Purchased during the period/year	-	77,446
Redemption during the period/year	-	(6,667)
Realised gain during the period/year	-	35
Unrealised gain during the period/year	2,688	1,759
Balance at the end of the period/year	<u>125,631</u>	<u>122,943</u>

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2013

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 three month period ended 31 March 2013 and year ended 31 December 2012 is as follows:

	<u>31 March</u> <u>2013</u> (Unaudited) SR'000	<u>31 December</u> <u>2012</u> (Audited) SR'000
Balance at the beginning of the period/year	6,268	4,008
Charge for the period/year	823	2,260
Balance at the end of the period/year	<u>7,091</u>	<u>6,268</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 2011.

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

Assessments for the years 2010 and 2011 have not yet been raised by the DZIT. However the DZIT issued initial assessments for the years ended 31 December 2010 and 31 December 2011 disallowing investments from the Zakat base with additional Zakat liability of SR 1,050,759 and 999,879 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:

	<u>31 March</u> <u>2013</u> (Unaudited) SR'000	<u>31 December</u> <u>2012</u> (Audited) SR'000
Technical reserve relating to the Participant Investment Strategies (unit liability)	519,796	483,871
Allowance for the retained risk	1,406	953
Incurred But Not Reported (IBNR) reserves	267	345
	<u>521,469</u>	<u>485,169</u>

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2013

6 TECHNICAL RESERVE FOR INSURANCE OPERATIONS (continued)

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

	<i>31 March 2013 (Unaudited) SR'000</i>	<i>31 December 2012 (Audited) SR'000</i>
Balance as at the beginning of the period/year	485,169	355,909
Change in reserve	(28)	164
Unrealized gain on investment (note 4)	12,264	10,941
Investible contribution, net	24,110	112,705
Surplus distribution (Note 6.1)	-	5,566
Other	(46)	(116)
Balance as at the end of the period/year	<u>521,469</u>	<u>485,169</u>

6.1 The amount mainly represents distribution of profit share received from the reinsurers for the years ended 31 March 2010 and 31 March 2011. The Company obtained approval from SAMA during 2012 and distributed this amount to the policyholders in the form of additional units in the trading investments held to cover unit-linked liabilities.

7 MOVEMENT IN NET OUTSTANDING CLAIMS PROVISION

	<i>Three-month period ended 31 March</i>	
	<i>2013 (Unaudited) SR'000</i>	<i>2012 (Unaudited) SR'000</i>
Change in outstanding claims – Gross	-	213
Change in outstanding claims – Reinsurance	-	(191)
Change in Incurred But Not Reported claims (IBNR)	(28)	72
Movement in outstanding claims provision	<u>(28)</u>	<u>94</u>

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2013

8 RELATED PARTY TRANSACTIONS AND BALANCES

- a) Following are the details of major related party transactions during the three-month period ended 31 March 2013 and 31 March 2012:

<u>Related party</u>	<u>Nature of transactions</u>	<u>Amount of transactions</u>	
		<u>2013</u> (Unaudited) SR'000	<u>2012</u> (Unaudited) SR'000
Insurance Operations			
Shareholder	Gross Group contribution	8,862	6,535
Shareholder	Acquisition fee paid for distributing the products (see note 8(d))	-	725
Shareholders	Entrance fee (see note 8(d))	893	880
Shareholders	Administration fee (see note 8(d))	1,651	2,638
Shareholder	Investment Fund fee	945	706
Key management personnel	Short term benefits	1,065	1,053
Key management personnel	End of service benefits	44	37
(b) Contribution receivable from a related party			
		31 March 2013 (Unaudited) SR'000	31 December 2012 (Audited) SR'000
Gross contribution receivable from a related party		184	184
Allowance for doubtful receivables		(27)	-
		157	184

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

- (d) Based on an arrangement between the Company and founding shareholders, the acquisition, entrance and administration fees of one of the founding shareholders is mutually waived for the period from 1 January 2013 to 30 June, 2013.

9 OPERATING SEGMENT INFORMATION

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

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

Insurance – group life segment offers life protection programmes to the members of organizations on a group basis . Others segment offers protection benefits in respect of various credit facilities extended by the financing organizations to its customers.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2013

9 OPERATING SEGMENT INFORMATION (continued)

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

	<i>Three-month period ended 31 March 2013</i>			
	<i>Insurance - individual SR '000</i>	<i>Insurance- group life SR '000</i>	<i>Others SR '000</i>	<i>Total SR '000</i>
INSURANCE REVENUE				
Gross contributions	31,926	4,120	4,742	40,788
Investible contribution, net	(23,830)	(216)	(64)	(24,110)
Net Insurance contributions	8,096	3,904	4,678	16,678
Reinsurance ceded	(1,180)	(3,348)	(3,332)	(7,860)
Net written contributions	6,916	556	1,346	8,818
Change in net unearned contribution	-	(579)	(563)	(1,142)
Net insurance revenue	6,916	(23)	783	7,676
CLAIMS AND EXPENSES				
Gross claims paid	(21)	(910)	(66)	(997)
Reinsurance share of claims paid	19	819	60	898
Net claims paid	(2)	(91)	(6)	(99)
Change in outstanding claims provision	-	(8)	36	28
Net claims incurred	(2)	(99)	30	(71)
Entrance fee paid to the Technical and Distributing Shareholders	(893)	-	-	(893)
Administration fee paid to the Distributing Shareholder	(1,651)	-	-	(1,651)
Supervision and inspection fee	(270)	(20)	(24)	(314)
Other direct underwriting expenses	(73)	-	-	(73)
Total claims and expenses	(2,889)	(119)	6	(3,002)
Underwriting surplus/(deficit) for the period	4,027	(142)	789	4,674
Investment fund fee	-	-	-	945
General and administration expenses	-	-	-	(3,623)
Surplus for the period from Insurance Operations				1,996

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2013

9 OPERATING SEGMENT INFORMATION (continued)

	<i>Three-month period ended 31 March 2012</i>			
	<i>Insurance - individual SR '000</i>	<i>Insurance- group life SR '000</i>	<i>Others SR '000</i>	<i>Total SR '000</i>
INSURANCE REVENUE				
Gross contributions	38,357	3,530	3,006	44,893
Investible contribution, net	(31,195)	(166)	(95)	(31,456)
Net Insurance contributions	7,162	3,364	2,911	13,437
Reinsurance ceded	(1,190)	(2,654)	(1,472)	(5,316)
Net written contributions	5,972	710	1,439	8,121
Change in net unearned contribution	-	(665)	(109)	(774)
Net insurance revenue	5,972	45	1,330	7,347
CLAIMS AND EXPENSES				
Gross claims paid	(886)	(750)	(136)	(1,772)
Reinsurance share of claims paid	798	675	122	1,595
Net claims paid	(88)	(75)	(14)	(177)
Change in outstanding claims provision	(4)	(50)	(40)	(94)
Net claims incurred	(92)	(125)	(54)	(271)
Acquisition fee paid to the Distributing Shareholders	(725)	-	-	(725)
Entrance fee paid to the Technical and Distributing Shareholder	(880)	-	-	(880)
Administration fee paid to the Distributing Shareholder	(2,638)	-	-	(2,638)
Supervision and inspection fee	(290)	(18)	(15)	(323)
Other direct underwriting expenses	(73)	-	-	(73)
Total claims and expenses	(4,698)	(143)	(69)	(4,910)
Underwriting surplus/(deficit) for the period	1,274	(98)	1,261	2,437
Investment fund fee	-	-	-	706
General and administration expenses	-	-	-	(2,600)
Surplus for the period from Insurance Operations				543

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2013

9 OPERATING SEGMENT INFORMATION (continued)

	<i>As at 31 March 2013</i>			
	<i>Insurance - individual SR '000</i>	<i>Insurance- group SR '000</i>	<i>Others SR '000</i>	<i>Total SR '000</i>
INSURANCE OPERATIONS' ASSETS				
Cash and cash equivalents	15,884	2,372	6,613	24,869
Trading investments held to cover unit-linked liabilities	516,877	-	-	516,877
Contribution receivable from a related party	-	157	-	157
Accrued income	350	-	-	350
Prepayments and other receivables	-	-	1,525	1,525
Reinsurance share of unearned contribution	-	2,512	1,506	4,018
Furniture, fittings and office equipment	-	-	1,451	1,451
Total Insurance Operations' assets				549,247
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS				
Insurance Operations' liabilities				
Technical reserve for Insurance Operations	520,917	281	271	521,469
Unearned contribution – gross	-	3,091	2,069	5,160
Reinsurance balances payable	4,322	2,261	5,145	11,728
Due to Shareholders Operations	-	-	2,591	2,591
Contributions received in advance	726	-	-	726
Accruals and other payables	4,455	-	1,036	5,491
Due to a related parties	614	-	-	614
Employees' end of service benefits	-	-	733	733
Total Insurance Operations' liabilities				548,512
Surplus from Insurance Operations				735
Total Insurance Operations' liabilities and surplus				549,247

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2013

9 OPERATING SEGMENT INFORMATION (continued)

	<i>As at 31 December 2012</i>			
	<i>Insurance - individual SR '000</i>	<i>Insurance- group SR '000</i>	<i>Others SR '000</i>	<i>Total SR '000</i>
INSURANCE OPERATIONS' ASSETS				
Cash and cash equivalents	16,255	834	2,728	19,817
Trading investments held to cover unit-linked liabilities	479,814	-	-	479,814
Contribution receivable from a related party	-	184	-	184
Accrued income	326	-	-	326
Prepayments and other receivables	-	-	332	332
Furniture, fittings and office equipment	-	-	1,896	1,896
Total Insurance Operations' assets				502,369
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS				
Insurance Operations' liabilities				
Technical reserve for Insurance Operations	484,823	55	291	485,169
Reinsurance balances payable	3,309	(88)	2,111	5,332
Due to related parties	562	1,317	-	1,879
Due to Shareholders Operations	-	-	2,318	2,318
Contributions received in advance	570	-	-	570
Accruals and other payables	4,377	-	1,489	5,866
Employees' end of service benefits	-	-	700	700
Total Insurance Operations' liabilities				501,834
Surplus from Insurance Operations				535
Total Insurance Operations' liabilities and surplus				502,369

10 FAIR VALUES OF FINANCIAL INSTRUMENTS

- a) Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction.

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 31 March 2013, 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 31 March 2013 and 31 December 2012, all financial instruments which are fair valued are Level 2 instruments.

11 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors on 20 April 2013, corresponding to 10 Jumada Al Thani 1434H.