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

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
30 SEPTEMBER 2013**

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2013**

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INDEPENDENT AUDITORS REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

**THE SHAREHOLDERS
AL AHLI TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)
KINGDOM OF SAUDI ARABIA**

Scope of review

We have reviewed the accompanying interim statement of financial position of Al Ahli Takaful Company - a Saudi Joint Stock Company (the "Company") as at 30 September 2013, and the related interim statements of insurance operations and accumulated surplus, shareholders' operations, comprehensive income for the three month and nine month periods then ended, and the related statement of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the nine 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 KPMG Al Fozan & Al Sadhan

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Certified Public Accountant
Licence No. 382

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Mohamed El Ayouuty
Certified Public Accountant
Licence No. 211

Jeddah, Kingdom of Saudi Arabia
27 October 2013
22 Dhul Hijjah 1434H



ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 September 2013

		30 September 2013 (Unaudited) SR'000	31 December 2012 (Audited) SR'000
	<i>Notes</i>		
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	31,280	19,817
Trading investments held to cover unit-linked liabilities	4	574,862	479,814
Contribution receivable from a related party	8(b)	236	184
Accrued income		456	326
Prepayments and other receivables		617	332
Reinsurance share of unearned contribution		2,706	-
Furniture, fittings and office equipment		1,043	1,896
Total Insurance Operations' assets		611,200	502,369
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	22	65
Trading investments	4	127,452	122,943
Due from Insurance Operations		4,079	2,318
Prepayments and other receivables		347	217
Statutory deposit		16,667	16,667
Total Shareholders' assets		148,567	142,210
TOTAL ASSETS		759,767	644,579


Director


Chief Financial Officer


Chief Executive Officer

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
INTERIM STATEMENT OF FINANCIAL POSITION (continued)
As at 30 September 2013

		30 September 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	579,629	485,169
Unearned contribution - gross		4,451	-
Outstanding claims - gross		324	-
Reinsurance balances payable		13,786	5,332
Due to related parties		176	1,879
Due to Shareholders' Operations		4,079	2,318
Contributions received in advance		432	570
Accruals and other payables		6,855	5,866
Employees' end of service benefits		444	700
Total Insurance Operations' liabilities		610,176	501,834
Insurance Operations' surplus			
Surplus from Insurance Operations		1,024	535
Total Insurance Operations' liabilities and surplus		611,200	502,369
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accruals and other payables		1,268	1,578
Accrued Zakat and tax	5	8,276	6,268
Total shareholders' liabilities		9,544	7,846
Shareholders' equity			
Share capital		166,667	166,667
Statutory reserve		7,874	7,874
Accumulated losses		(35,518)	(40,177)
Total shareholders' equity		139,023	134,364
Total shareholders' liabilities and equity		148,567	142,210
TOTAL INSURANCE OPERATIONS' LIABILITIES, SURPLUS, SHAREHOLDERS' LIABILITIES AND EQUITY		759,767	644,579

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS
(UNAUDITED)

For the three-month and nine-month periods ended 30 September 2013

	<i>Notes</i>	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
		<i>2013 SR'000</i>	<i>2012 SR'000</i>	<i>2013 SR'000</i>	<i>2012 SR'000</i>
INSURANCE REVENUE					
Gross contributions		36,127	37,934	109,102	122,994
Investible contribution, net		(22,291)	(27,919)	(70,233)	(91,029)
Net insurance contributions		13,836	10,015	38,869	31,965
Reinsurance ceded		(5,349)	(3,153)	(15,019)	(10,177)
Net written contributions		8,487	6,862	23,850	21,788
Change in net unearned contribution		(1,356)	(221)	(1,745)	(664)
Net insurance revenue		7,131	6,641	22,105	21,124
CLAIMS AND EXPENSES					
Gross claims paid		(598)	(982)	(3,645)	(5,186)
Reinsurance share of claims paid		538	883	3,281	4,681
Net claims paid		(60)	(99)	(364)	(505)
Change in net outstanding claims provision	7	(79)	(27)	(85)	(106)
Net claims incurred		(139)	(126)	(449)	(611)
Acquisition fee paid to the Distributing shareholder	8	(654)	(404)	(654)	(1,734)
Entrance fee paid to the Technical and Distributing shareholders	8	(653)	(462)	(2,262)	(1,985)
Administration fee paid to the Technical and Distributing shareholders	8	(2,710)	(2,608)	(6,035)	(7,866)
Supervision and inspection fee		(295)	(286)	(892)	(919)
Other direct underwriting expenses		(73)	(67)	(224)	(216)
Total claims and expenses		(4,524)	(3,953)	(10,516)	(13,331)
Underwriting surplus for the period		2,607	2,688	11,589	7,793
Investment fund fee		1,143	873	3,071	2,348
General and administration expenses		(2,669)	(2,993)	(9,771)	(8,644)
Surplus for the period from Insurance Operations		1,081	568	4,889	1,497
Shareholders' share of surplus from Insurance Operations		(973)	(511)	(4,400)	(1,347)
Policyholders' share of surplus for the period		108	57	489	150
Accumulated policyholders' surplus at the beginning of the period		916	689	535	1,022
Policyholders' surplus distributed during the period		-	-	-	(426)
ACCUMULATED POLICYHOLDERS' SURPLUS AT THE END OF THE PERIOD		1,024	746	1,024	746

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2013

	<i>Notes</i>	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
		<i>2013 SR'000</i>	<i>2012 SR'000</i>	<i>2013 SR'000</i>	<i>2012 SR'000</i>
Shareholders' share of surplus from Insurance Operations		973	511	4,400	1,347
Unrealised gain on investment	4	1,143	1,062	4,509	904
Realised gain on investment	4	-	-	-	34
Total income		2,116	1,573	8,909	2,285
General and administration expenses		(701)	(682)	(2,129)	(2,046)
NET INCOME FOR THE PERIOD		1,415	891	6,780	239
Weighted average number of ordinary shares outstanding (in thousands)		16,667	16,667	16,667	14,964
Net income per share for the period (SR)	11	0.08	0.05	0.41	0.02

Director

Chief Financial Officer

Chief Executive Officer

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ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three-month and nine-month periods ended 30 September 2013

	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
NET INCOME FOR THE PERIOD	1,415	891	6,780	239
Zakat and income tax for the period (note 5)	(629)	(519)	(2,121)	(1,555)
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD	786	372	4,659	(1,316)

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 nine-month period ended 30 September 2013

For the nine-month period ended 30 September 2013

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

For the nine-month period ended 30 September 2012

	Share capital SR '000	Increase in share capital SR '000	Statutory reserve SR '000	Accumulated losses SR '000	Total SR '000
Balance as at 31 December 2011 (audited)	100,000	66,667	7,874	(38,948)	135,593
Transfer to share capital	66,667	(66,667)	-	-	-
Net income for the nine-month period	-	-	-	239	239
Zakat and income tax for the nine-month period	-	-	-	(1,555)	(1,555)
Balance at 30 September 2012 (unaudited)	166,667	-	7,874	(40,264)	134,277

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS (UNAUDITED)
For the nine-month period ended 30 September 2013

		Nine-month period ended 30 September	
	Notes	2013 SR'000	2012 SR'000
OPERATING ACTIVITIES			
Surplus for the period from Insurance Operations		4,889	1,497
Adjustment for the period:			
Shareholders share of surplus from Insurance Operations		(4,400)	(1,347)
Depreciation		1,042	1,360
Employees' end of service benefits, net		(256)	47
Unrealised gain on trading investments held to cover unit-linked liabilities	4	(24,248)	(12,657)
Reinsurance share of unearned contribution		(2,706)	(829)
Unearned contribution - gross		4,451	1,410
Deferred commission revenue - group and credit life		-	(179)
		<u>(21,228)</u>	<u>(10,698)</u>
Changes in operating assets and liabilities:			
Trading investments held to cover unit-linked liabilities		(70,800)	(101,701)
Due to Shareholders' Operations		1,761	1,073
Contribution receivable from a related party		(52)	594
Accrued income		(130)	(112)
Prepayments and other receivables		(285)	(710)
Reinsurance share of outstanding benefits		-	518
Technical reserve for Insurance Operations		94,460	106,333
Outstanding benefits - gross		324	(576)
Reinsurance balances payable		8,454	(4,053)
Due to related parties		(1,703)	1,059
Contributions received in advance		(138)	(430)
Accruals and other payables		989	1,301
		<u>11,652</u>	<u>(7,402)</u>
Net cash from/(used in) operating activities			
INVESTING ACTIVITY			
Purchase of furniture, fittings and office equipment		(189)	(35)
FINANCING ACTIVITY			
Surplus distributed		-	(426)
Net increase/(decrease) in cash and cash equivalents		11,463	(7,863)
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>31,280</u>	<u>20,717</u>


Director


Chief Financial Officer


Chief Executive Officer

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the nine-month period ended 30 September 2013

	<u>Notes</u>	<i>Nine-month period ended 30 September</i>	
		<i>2013 SR'000</i>	<i>2012 SR'000</i>
OPERATING ACTIVITIES			
Net income for the period		6,780	239
Adjustments for the period:			
Realised gain on trading investments	4	-	(34)
Unrealised gain on trading investments	4	(4,509)	(904)
		<u>2,271</u>	<u>(699)</u>
Changes in operating assets and liabilities:			
Prepayments and other receivables		(130)	(108)
Due from Insurance Operations		(1,761)	(1,073)
Accruals and other payables		(310)	(3,330)
Zakat and income tax paid	5	(113)	(103)
		<u>(43)</u>	<u>(5,313)</u>
Net cash used in operating activities			
INVESTING ACTIVITIES			
Purchase of trading investments		-	(77,447)
Redemption of trading investments		-	6,667
Increase in statutory deposit		-	(6,667)
		<u>-</u>	<u>(77,447)</u>
Net cash used in investing activities			
Net decrease in cash and cash equivalents		(43)	(82,760)
Cash and cash equivalents at the beginning of the period		65	82,868
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u>22</u>	<u>108</u>

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

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

c) Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they are effective.

<u>Standard/ Interpretation</u>	<u>Description</u>	<u>Effective date</u>
IFRS 9	Financial Instruments – Classification & Measurement	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 12	Disclosure of Interest in Other Parties	1 January 2014
IAS 27	Separate Financial Statements	1 January 2014
IAS 32	Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 36	Amendment to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014

3 CASH AND CASH EQUIVALENTS

	30 September 2013 (Unaudited) SR'000	31 December 2012 (Audited) SR'000
Insurance Operations		
Cash in hand	4	5
Cash at bank	31,276	19,812
	31,280	19,817
Shareholders' Operations		
Cash at bank	22	65

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2013

4 TRADING INVESTMENTS

	<i>30 September 2013 (Unaudited) SR'000</i>	<i>31 December 2012 (Audited) SR'000</i>
Insurance Operations		
Al Manarah Conservative Growth Strategy	345,173	293,389
Al Manarah Medium Growth Strategy	134,192	110,493
Al Manarah High Growth Strategy	95,497	75,932
	<u>574,862</u>	<u>479,814</u>

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

	<i>30 September 2013 (Unaudited) SR'000</i>	<i>31 December 2012 (Audited) SR'000</i>
Shareholders' Operations		
Al Ahli Takaful Discretionary Portfolio	<u>127,452</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 nine-month period ended 30 September 2013 and year ended 31 December 2012 is as follows:

	<i>30 September 2013 (Unaudited) SR'000</i>	<i>31 December 2012 (Audited) SR'000</i>
Insurance Operations		
Balance at the beginning of the period/year	479,814	344,972
Purchased during the period/year	70,800	123,901
Unrealised gain during the period/year	24,248	10,941
	<u>574,862</u>	<u>479,814</u>

	<i>30 September 2013 (Unaudited) SR'000</i>	<i>31 December 2012 (Audited) SR'000</i>
Shareholders' Operations		
Balance at the beginning of the period/year	122,943	50,370
Purchased during the period/year	-	77,447
Redemption during the period/year	-	(6,667)
Realised gain during the period/year	-	34
Unrealised gain during the period/year	4,509	1,759
	<u>127,452</u>	<u>122,943</u>

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 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 nine-month period ended 30 September 2013 and year ended 31 December 2012 is as follows:

	30 September 2013 (Unaudited) SR'000	31 December 2012 (Audited) SR'000
Balance at the beginning of the period/year	6,268	4,008
Charge for the period/year	2,121	2,260
Zakat and income tax paid	(113)	-
	<hr/>	<hr/>
Balance at the end of the period/year	8,276	6,268
	<hr/>	<hr/>

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 2012.

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, 2011 and 2012 have not yet been raised by the DZIT. However the DZIT issued initial assessments for the years ended 31 December 2010 through 31 December 2012, disallowing investments from the Zakat base with additional Zakat liability of SR 1,050,759, SR 999,879 and SR 2,312,290 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:

	30 September 2013 (Unaudited) SR'000	31 December 2012 (Audited) SR'000
Technical reserve relating to the Participant Investment Strategies (unit liability)	577,371	483,871
Allowance for the retained risk	1,849	953
Incurred But Not Reported (IBNR) reserves	409	345
	<hr/>	<hr/>
	579,629	485,169
	<hr/>	<hr/>

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2013

6 TECHNICAL RESERVE FOR INSURANCE OPERATIONS (continued)

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

	30 September 2013 (Unaudited) SR'000	31 December 2012 (Audited) SR'000
Balance as at the beginning of the period/year	485,169	355,909
Change in reserve	64	164
Unrealized gain on investment (note 4)	24,248	10,941
Investible contribution, net	70,233	112,705
Surplus distribution (note 6.1)	-	5,566
Other	(85)	(116)
Balance as at the end of the period/year	579,629	485,169

6.1 The amount mainly represents distribution of profit share received from the reinsurers for the years ended 31 December 2010 and 31 December 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

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2013 (Unaudited) SR'000	2012 (Unaudited) SR'000	2013 (Unaudited) SR'000	2012 (Unaudited) SR'000
Change in outstanding claims - Gross	-	(111)	324	(576)
Change in outstanding claims - Reinsurance	-	99	(303)	518
Change in Incurred But Not Reported claims (IBNR)	79	39	64	164
Movement in net outstanding claims provision	79	27	85	106

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2013

8 RELATED PARTY TRANSACTIONS AND BALANCES

- a) Following are the details of major related party transactions during the nine-month period ended 30 September 2013 and 30 September 2012:

<u>Related party</u>	<u>Nature of transactions</u>	<u>Amount of transactions</u>	
		<u>2013</u> <i>(Unaudited)</i> SR'000	<u>2012</u> <i>(Unaudited)</i> SR'000
Insurance Operations			
Shareholder	Gross Group Life contribution	16,938	12,090
Shareholder	Acquisition fee paid for distributing the products (See note 8(d))	654	1,734
Shareholders	Entrance fee (See note 8(d))	2,262	1,985
Shareholders	Administration fee (See note 8(d))	6,035	7,866
Shareholder	Investment fund fee	3,071	2,348
Key management personnel	Short-term benefits	2,025	3,157
Key management personnel	End of service benefits	107	114
(b) Contribution receivable from a related party		<i>30 September</i> <u>2013</u> <i>(Unaudited)</i> SR'000	<i>31 December</i> <u>2012</u> <i>(Audited)</i> SR'000
Gross contribution receivable from a related party		236	184

- (c) In addition to the disclosures set out in note 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.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2013

9 OPERATING SEGMENT INFORMATION (continued)

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.

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

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

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2013

9 OPERATING SEGMENT INFORMATION (continued)

	<i>Three-month period ended 30 September 2012</i>			
	<i>Insurance - individual SR '000</i>	<i>Insurance- group life SR '000</i>	<i>Other SR '000</i>	<i>Total SR '000</i>
INSURANCE REVENUE				
Gross contributions	33,979	140	3,815	37,934
Investible contribution, net	(27,844)	67	(142)	(27,919)
Net insurance contributions	6,135	207	3,673	10,015
Reinsurance ceded	(1,099)	(103)	(1,951)	(3,153)
Net written contributions	5,036	104	1,722	6,862
Change in net unearned contribution	-	203	(424)	(221)
Net insurance revenue	5,036	307	1,298	6,641
CLAIMS AND EXPENSES				
Gross claims paid	(100)	(650)	(232)	(982)
Reinsurance share of claims paid	89	585	209	883
Net claims paid	(11)	(65)	(23)	(99)
Change in net outstanding claims provision	12	(2)	(37)	(27)
Change in claims IBNR reserves	-	-	-	-
Net claims incurred	1	(67)	(60)	(126)
Acquisition fee paid to the Distributing shareholder	(404)	-	-	(404)
Entrance fee paid to the Technical and Distributing shareholders	(462)	-	-	(462)
Administration fee paid to the Distributing shareholders	(2,608)	-	-	(2,608)
Supervision and inspection fee	(267)	-	(19)	(286)
Other direct underwriting expenses	(67)	-	-	(67)
Total claims and expenses	(3,807)	(67)	(79)	(3,953)
Underwriting surplus for the period	1,229	240	1,219	2,688
Investment fund fee	-	-	-	873
General and administration expenses	-	-	-	(2,993)
Surplus for the period from Insurance Operations				568

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2013

9 OPERATING SEGMENT INFORMATION (continued)

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

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2013

9 OPERATING SEGMENT INFORMATION (continued)

	<i>Nine-month period ended 30 September 2012</i>			
	<i>Insurance – individual SR '000</i>	<i>Insurance- group life SR '000</i>	<i>Other SR '000</i>	<i>Total SR '000</i>
INSURANCE REVENUE				
Gross contributions	110,904	3,675	8,415	122,994
Investible contribution, net	(90,811)	21	(239)	(91,029)
Net insurance contributions	20,093	3,696	8,176	31,965
Reinsurance ceded	(3,514)	(2,761)	(3,902)	(10,177)
Net written contributions	16,579	935	4,274	21,788
Change in net unearned contribution	-	(242)	(422)	(664)
Net insurance revenue	16,579	693	3,852	21,124
CLAIMS AND EXPENSES				
Gross claims paid	(1,826)	(2,530)	(830)	(5,186)
Reinsurance share of claims paid	1,657	2,277	747	4,681
Net claims paid	(169)	(253)	(83)	(505)
Change in net outstanding claims provision	33	(52)	(87)	(106)
Change in claims IBNR reserves	-	-	-	-
Net claims incurred	(136)	(305)	(170)	(611)
Acquisition fee paid to the Distributing shareholder	(1,734)	-	-	(1,734)
Entrance fee paid to the Technical and Distributing shareholders	(1,985)	-	-	(1,985)
Administration fee paid to the Distributing shareholders	(7,866)	-	-	(7,866)
Supervision and inspection fee	(859)	(18)	(42)	(919)
Other direct underwriting expenses	(216)	-	-	(216)
Total claims and expenses	(12,796)	(323)	(212)	(13,331)
Underwriting surplus for the period	3,783	370	3,640	7,793
Investment fund fee	-	-	-	2,348
General and administration expenses	-	-	-	(8,644)
Surplus for the period from Insurance Operations				1,497

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2013

9 OPERATING SEGMENT INFORMATION (continued)

	<i>As at 30 September 2013</i>			
	<i><u>Insurance - individual SR '000</u></i>	<i><u>Insurance- group SR '000</u></i>	<i><u>Others SR '000</u></i>	<i><u>Total SR '000</u></i>
INSURANCE OPERATIONS' ASSETS				
Cash and cash equivalents	19,887	1,307	10,086	31,280
Trading investments held to cover unit-linked liabilities	574,862	-	-	574,862
Contribution receivable from a related party	-	11	225	236
Accrued income	456	-	-	456
Prepayments and other receivables	-	-	617	617
Reinsurance share of unearned contribution	-	846	1,860	2,706
Furniture, fittings and office equipment	-	-	1,043	1,043
Total Insurance Operations' assets				611,200
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS				
Insurance Operations' liabilities				
Technical reserve for Insurance Operations	578,845	198	586	579,629
Unearned contribution – gross	-	1,040	3,411	4,451
Outstanding claims – gross	324	-	-	324
Reinsurance balances payable	5,644	1,162	6,980	13,786
Due to related parties	65	-	111	176
Due to Shareholders Operations	-	-	4,079	4,079
Contributions received in advance	432	-	-	432
Accruals and other payables	4,968	-	1,887	6,855
Employees' end of service benefits	-	-	444	444
Total Insurance Operations' liabilities				610,176
Surplus from Insurance Operations				1,024
Total Insurance Operations' liabilities and surplus				611,200

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 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
Contribution receivable from related party	-	184	-	184
Trading investments held to cover unit-linked liabilities	479,814	-	-	479,814
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 Shareholders Operations	-	-	2,318	2,318
Contributions received in advance	570	-	-	570
Accruals and other payables	4,377	-	1,489	5,866
Due to a related party	562	1,317	-	1,879
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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company's financial assets consist of cash in hand and at banks, trading investments and contribution receivable and its financial liabilities consist of outstanding claims, reinsurance balances payable, amount due to a related party and other payables. The fair values of financial instruments are not materially different from their carrying values. As at 30 September 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 30 September 2013 and 31 December 2012, all financial instruments which are fair valued are Level 2 instruments.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2013

11 NET INCOME PER SHARE

Net income 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 income per share is not applicable for the Company.

12 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors 22 Dhul Hijjah 1434H, corresponding to 27 October 2013.