
SABB TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH AND TWELVE MONTH PERIODS
ENDED 31 DECEMBER 2015**

Independent auditors' review report on interim condensed financial statements to the shareholders' of SABB Takaful Company (A Saudi Joint Stock Company)

Scope of review

We have reviewed the accompanying interim statement of financial position of SABB Takaful Company - a Saudi Joint Stock Company (the "Company") as at December 31, 2015 and the related interim statements of income - takaful operations and comprehensive income - shareholders' operations for the three month and twelve month periods ended December 31, 2015, and statements of changes in shareholders' equity and cash flows for takaful and shareholders' operations for the twelve month period then ended and the notes 1 to 14 which form 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 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 limited 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 the auditing standards generally accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding 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 a matter

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

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Date: January 20, 2016
Corresponding to: Rabi-ul-Akhir 10, 1437H

SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	31 December 2015 (Unaudited) SAR'000	31 December 2014 (Audited) SAR'000
<u>TAKAFUL OPERATIONS' ASSETS</u>			
Available-for-sale investments			
Contributions receivable, net	3	374,739	398,747
Retakaful share of outstanding claims	4	12,374	11,833
Retakaful share of unearned contributions	6	37,960	54,656
Deferred policy acquisition costs	7 (b)	14,177	12,848
Retakaful balances receivable		1,180	1,411
Prepayments and other receivables		3,630	5,236
Due from shareholders		939	945
Cash and cash equivalents	5	43,122	3,246
			40,028
TOTAL TAKAFUL OPERATIONS' ASSETS		488,121	528,950
<u>SHAREHOLDERS' ASSETS</u>			
Intangible assets			
Motor vehicle		1,394	1,194
Held-to-maturity investments		48	65
Statutory deposit	3	187,945	187,944
Prepayments and other receivables		34,000	34,000
Due from takaful operations		297	161
Cash and cash equivalents	5	7,928	-
		132,958	143,426
TOTAL SHAREHOLDERS' ASSETS		364,570	366,790
TOTAL ASSETS		852,691	895,740





The accompanying notes 1 to 14 form part of these interim condensed financial statements.

SABB Takaful Company (A Saudi Joint Stock Company)
 INTERIM STATEMENT OF FINANCIAL POSITION (continued)
 At 31 December 2015

	Notes	31 December 2015 (Unaudited) SAR'000	31 December 2014 (Audited) SAR'000
<u>TAKAFUL OPERATIONS' LIABILITIES</u>			
Reserve for takaful activities	7 (a)	374,739	389,166
Provision for employees' end-of-service benefits		6,273	5,056
Surplus distribution payable		6,018	4,427
Gross unearned contributions	7 (b)	21,441	20,310
Unearned commission income		2,950	2,263
Gross outstanding claims	6	47,897	70,186
Retakaful balances payable		5,858	8,696
Payables, accruals and others		14,618	27,255
Due to shareholders		7,928	-
TOTAL TAKAFUL OPERATIONS' LIABILITIES		487,722	527,359
TAKAFUL OPERATIONS' SURPLUS		399	1,591
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS		488,121	528,950
<u>SHAREHOLDERS' EQUITY AND LIABILITIES</u>			
SHAREHOLDERS' EQUITY			
Share capital		340,000	340,000
Legal reserve		11,478	11,478
Retained earnings		3,592	4,247
TOTAL SHAREHOLDERS' EQUITY		355,070	355,725
SHAREHOLDERS' LIABILITIES			
Payables, accruals and others		4,516	1,948
Due to takaful operations		-	3,246
Provision for zakat and tax	12	4,984	5,871
TOTAL SHAREHOLDERS' LIABILITIES		9,500	11,065
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		364,570	366,790
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS, SHAREHOLDERS' EQUITY AND LIABILITIES		852,691	895,740





The accompanying notes 1 to 14 form part of these interim condensed financial statements.

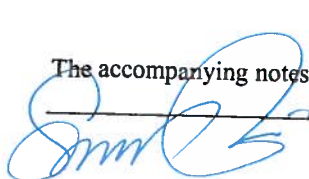
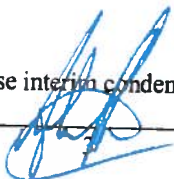
SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF INCOME - TAKAFUL OPERATIONS (UNAUDITED)

For the three and twelve months ended 31 December 2015

	<i>Three months ended 31 December 2015 SR'000</i>	<i>Three Months ended 31 December 2014 SR'000</i>	<i>Twelve months ended 31 December 2015 SR'000</i>	<i>Twelve months ended 31 December 2014 SR'000 (Audited)</i>
Gross contributions written				
- Family Takaful	41,091	39,222	173,140	165,500
- General Takaful	12,138	11,896	29,043	27,581
	<u>53,229</u>	<u>51,118</u>	<u>202,183</u>	<u>193,081</u>
Family Takaful - Planholder charges	6,301	5,750	26,412	25,022
	<u>59,530</u>	<u>56,868</u>	<u>228,595</u>	<u>218,103</u>
Gross contributions written and Planholder charges				
Retakaful contribution ceded	(19,399)	(17,523)	(58,958)	(53,249)
	<u>40,131</u>	<u>39,345</u>	<u>169,637</u>	<u>164,854</u>
Net written contribution and Planholder charges				
Changes in gross unearned contributions	(3,446)	(3,075)	(1,131)	618
Changes in retakaful share of unearned contributions	3,717	4,333	1,329	1,177
Changes in reserve for takaful activities	(12,875)	12,746	(41,885)	59,781
	<u>27,527</u>	<u>53,349</u>	<u>127,950</u>	<u>226,430</u>
Net contributions earned and Planholder charges				
Fees and commission income	2,588	5,455	7,192	14,124
	<u>30,115</u>	<u>58,804</u>	<u>135,142</u>	<u>240,554</u>
Underwriting revenue				
Gross claims paid	(23,562)	(13,422)	(54,075)	(48,523)
Retakaful share of claims paid	19,682	8,650	42,344	34,230
	<u>(3,880)</u>	<u>(4,772)</u>	<u>(11,731)</u>	<u>(14,293)</u>
Net claims paid				
Changes in gross outstanding claims	8,190	6,146	22,289	(6,140)
Changes in retakaful share of outstanding claims	(7,831)	(3,830)	(16,696)	7,830
	<u>(3,521)</u>	<u>(2,456)</u>	<u>(6,138)</u>	<u>(12,603)</u>
Net claims incurred				
Surrenders and maturities	(22,109)	(39,527)	(80,004)	(168,291)
	<u>(25,630)</u>	<u>(41,983)</u>	<u>(86,142)</u>	<u>(180,894)</u>
Net claims incurred, surrenders and maturities				
Policy acquisition costs	(3,743)	(3,104)	(8,738)	(12,323)
	<u>(29,373)</u>	<u>(45,087)</u>	<u>(94,880)</u>	<u>(193,217)</u>
Total claims, surrenders, maturities and policy acquisition costs				
Underwriting surplus for the period	742	13,717	40,262	47,337
Investment income	358	374	1,419	1,443
General and administrative expenses	(9,692)	(8,304)	(37,698)	(32,868)
	<u>(8,592)</u>	<u>5,787</u>	<u>3,983</u>	<u>15,912</u>
Net (deficit)/ surplus for the period from takaful operations				
Transfer of net surplus for the period to shareholders' operations	7,734	(5,209)	(3,584)	(14,321)
	<u>(858)</u>	<u>578</u>	<u>399</u>	<u>1,591</u>
Net (deficit)/ surplus for the period				

The accompanying notes 1 to 14 form part of these interim condensed financial statements.


SABB Takaful Company (A Saudi Joint Stock Company)

**INTERIM STATEMENT OF COMPREHENSIVE INCOME - SHAREHOLDERS' OPERATIONS
(UNAUDITED)**

For the three and twelve months ended 31 December 2015

	<i>Three months ended 31 December 2015 SR'000</i>	<i>Three Months ended 31 December 2014 SR'000</i>	<i>Twelve months ended 31 December 2015 SR'000</i>	<i>Twelve months ended 31 December 2014 SR'000 (Audited)</i>
Note				
Transfer of net (deficit)/ surplus for the period from takaful operations	(7,734)	5,209	3,584	14,321
Income from murabaha deposits	362	209	941	851
Income from sukuk	1,064	1,070	4,132	4,515
Total (loss)/ income	(6,308)	6,488	8,657	19,687
General and administrative expenses	(3,673)	(757)	(5,017)	(2,673)
Net (loss)/ profit for the period	(9,981)	5,731	3,640	17,014
Other comprehensive income	-	-	-	-
Total comprehensive (loss)/ income for the period	(9,981)	5,731	3,640	17,014
Basic and diluted (loss)/ earnings per share (SAR)	(0.29)	0.17	0.11	0.50





The accompanying notes 1 to 14 form part of these interim condensed financial statements.

SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)

For the twelve months ended 31 December 2015

	<i>Share capital</i>	<i>Legal reserve</i>	<i>Retained earnings/ (Accumulated losses)</i>	<i>Total</i>
	SAR'000	SAR'000	SAR'000	SAR'000
Balance as at 1 January 2015	340,000	11,478	4,247	355,725
Total comprehensive income for the period	-	-	3,640	3,640
Provision for zakat and tax	-	-	(4,295)	(4,295)
Balance as at 31 December 2015	<u>340,000</u>	<u>11,478</u>	<u>3,592</u>	<u>355,070</u>
<i>For the year ended 31 December 2014 (Audited)</i>				
Balance as at 1 January 2014	340,000	8,075	(3,471)	344,604
Total comprehensive income for the period	-	-	17,014	17,014
Provision for zakat and tax	-	-	(5,893)	(5,893)
Transfer to legal reserve	-	3,403	(3,403)	-
Balance as at 31 December 2014	<u>340,000</u>	<u>11,478</u>	<u>4,247</u>	<u>355,725</u>





The accompanying notes 1 to 14 form part of these interim condensed financial statements.

SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS - TAKAFUL OPERATIONS
(UNAUDITED)

For the twelve months ended 31 December 2015

	<i>Twelve months ended 31 December 2015 SR'000</i>	<i>Twelve months ended 31 December 2014 SR'000 (Audited)</i>
<i>Notes</i>		
OPERATING ACTIVITIES		
Surplus from takaful operations after shareholders' appropriation	399	1,591
Adjustment to reconcile surplus from takaful operations after shareholders' appropriation to net cash (used in)/ from operating activities:		
Shareholders' appropriation from surplus	3,584	14,321
Reversal of impairment on contribution receivables	(677)	(178)
Provision for employees' end-of-service benefits	1,453	1,084
	<u>4,759</u>	<u>16,818</u>
Operating surplus before shareholders' appropriations and before changes in operating assets and liabilities		
Changes in operating assets and liabilities:		
Available-for-sale investments, net	24,008	57,059
Contributions receivable, net	136	(3,247)
Retakaful share of outstanding claims	16,696	(7,830)
Retakaful share of unearned contributions	(1,329)	(1,177)
Deferred policy acquisition costs	231	(118)
Retakaful balances receivable	1,606	-
Prepayments and other receivables	6	(386)
Reserve for takaful activities	(14,427)	(57,963)
Payment of employees' end-of-service benefits	(236)	(130)
Gross unearned contributions	1,131	(618)
Unearned commission income	687	(112)
Gross outstanding claims	(22,289)	6,140
Retakaful balances payable	(2,838)	(7,589)
Payables, accruals and others	(12,637)	6,053
	<u>(4,496)</u>	<u>6,900</u>
Net cash (used in)/ from operating activities		
FINANCING ACTIVITY		
Due to/ (from) shareholders, net	7,590	(16,826)
	<u>7,590</u>	<u>(16,826)</u>
INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	3,094	(9,926)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	40,028	49,954
	<u>40,028</u>	<u>49,954</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	43,122	40,028
	<u>43,122</u>	<u>40,028</u>
Non-cash supplemental information:		
Net change in fair value of available-for-sale investments	3 (c) (29,900)	26,840
	<u>(29,900)</u>	<u>26,840</u>





The accompanying notes 1 to 14 form part of these interim condensed financial statements.

SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS - SHAREHOLDERS' OPERATIONS
(UNAUDITED)

For the twelve months ended 31 December 2015

	<i>Twelve months ended 31 December 2015 SR'000</i>	<i>Twelve months ended 31 December 2014 SR'000 (Audited)</i>
OPERATING ACTIVITIES		
Net profit for the period	3,640	17,014
Adjustment to reconcile net profit to net cash used in operating activities:		
Appropriation of surplus from takaful operations	(3,584)	(14,321)
Amortisation	451	345
Depreciation	17	4
Income from sukuks	(4,132)	(4,515)
	<u>(3,608)</u>	<u>(1,473)</u>
Changes in operating assets and liabilities:		
Prepayments and other receivables	(136)	794
Payables, accruals and others	2,568	(1,889)
	<u>(1,176)</u>	<u>(2,568)</u>
Cash used in operating activities	(1,176)	(2,568)
Zakat and tax paid	(5,182)	(5,978)
	<u>(6,358)</u>	<u>(8,546)</u>
INVESTING ACTIVITIES		
Maturity of held to maturity investments	-	19,513
Income received from sukuks	4,131	4,749
Purchase of intangible assets	(651)	(711)
Purchase of motor vehicle	-	(69)
Due (from)/ to takaful operations, net	(7,590)	16,826
	<u>(4,110)</u>	<u>40,308</u>
Net cash (used in)/ from investing activities	(4,110)	40,308
(DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(10,468)	31,762
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	143,426	111,664
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5 <u>132,958</u>	<u>143,426</u>





The accompanying notes 1 to 14 form part of these interim condensed financial statements.

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 December 2015

1. ORGANISATION AND PRINCIPAL ACTIVITIES

SABB Takaful Company (the Company) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration No. 1010234032 dated 20 Jumad Awal 1428H (corresponding to 6 June 2007). The registered address of the Company is P. O. Box 9086, Riyadh 11413, Kingdom of Saudi Arabia.

The purpose of the Company is to transact takaful operations and all related activities. Its principal lines of business include Individual Family (Protection and Savings – Individual), Group Family (Protection and Savings – Group) and General Takaful products. The Company operates only in the Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION, BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS AND RISK MANAGEMENT POLICIES

a) Basis of preparation

These interim condensed financial statements for the three and twelve months ended 31 December 2015 have been prepared in accordance with IAS 34 - Interim Financial Reporting.

These interim condensed financial statements have been prepared on a historic cost basis except for the measurement at fair value of available-for-sale investments.

These 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 Company's audited financial statements for the year ended 31 December 2014.

In management's opinion, these interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim periods presented. The Company's interim results may not be indicative of its annual results.

b) Basis of presentation

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Takaful Operations and Shareholders' Operations and presents the financial statements accordingly. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

c) Significant accounting policies, significant accounting estimates and assumptions and risk management policies

The significant accounting policies, significant accounting estimates and assumptions and risk management policies adopted in the preparation of these interim condensed financial statements are consistent with the Company's audited financial statements for the year ended 31 December 2014, except for the adoption of the following amendments to existing standards mentioned below which have had either insignificant effect or no financial impact on the condensed interim financial statements of the Company on the current period or prior periods and are expected to have a insignificant effect in future period:

- Amendments to IAS 19 applicable for annual periods beginning on or after 1 July 2014 is applicable to defined benefit plans involving contribution from employees and / or third parties. This provides relief, based on meeting certain criteria, from the requirements proposed in the amendments of 2011 for attributing employee / third party contributions to periods of service under the plan benefit formula or on a straight line basis. The current amendment gives an option, if conditions satisfy, to adjust service cost in period in which the related service is rendered.

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 December 2015

2. BASIS OF PREPARATION, BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS AND RISK MANAGEMENT POLICIES (continued)

c) Significant accounting policies, significant accounting estimates and assumptions and risk management policies (continued)

- Annual improvements to IFRS 2010-2012 and 2011-2013 cycle applicable for annual periods beginning on or after 1 July 2014. A summary of the amendments is contained here under:

- IFRS 8 – “Operating segments” has been amended to explicitly require disclosure of judgments made by management in applying aggregation criteria.

- IFRS 13 has been amended to clarify measurement of interest free short term receivables and payables at their invoiced amount without discounting, if the effect of discounting is immaterial. It has been further amended to clarify that the portfolio exception potentially applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.

- IAS 16 – “Property plant and equipment” and IAS 38 – “Intangible assets”: – the amendments clarify the requirements of revaluation model recognizing that the restatement of accumulated depreciation (amortisation) is not always proportionate to the change in the gross carrying amount of the asset.

- IAS 24 – “Related party disclosures” – the definition of a related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or indirectly.

d) Functional and presentation currency

The functional and presentational currency of the Company is Saudi Riyals. The financial statements values are presented in Saudi Riyals rounded to the nearest thousand (SAR’000), unless otherwise indicated.

3. INVESTMENTS

a) Investments comprise available-for-sale and held-to-maturity investments. An analysis of the investments is set out below:

	<i>31 December 2015</i>	
	<i>SAR’000 (Unaudited)</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>
<i>Available-for-sale investments – Quoted</i>		
Investment in Amanah Mutual Funds	374,739	-
<i>Held-to-maturity investment – Quoted</i>		
Saudi Electricity Company Sukuk (SEC-III)	-	25,066
<i>Held-to-maturity investments – Unquoted</i>		
Saudi Hollandi Bank Sukuk (SHB-II)	-	15,032
Saudi Hollandi Bank Sukuk (SHB-I)	-	5,007
Bank Al Jazira Sukuk	-	20,133
General Authority of Civil Aviation Sukuk (GACA - I)	-	50,525
The National Industrialization Company Sukuk (TASNEE - I)	-	50,113
Olayan Real Estate Company Sukuk (ORECO - I)	-	10,044
The Power and Water Utility Company for Jubail and Yanbu Sukuk (MARAFIQ)	-	12,025
	-	187,945
Total investments	374,739	187,945

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 December 2015

3. INVESTMENTS (continued)

	31 December 2014 SAR'000 (Audited)	
	Takaful Operations	Shareholders
<i>Available-for-sale investments – Quoted</i>		
Investment in Amanah Mutual Funds	398,747	-
<i>Held-to-maturity investments – Quoted</i>		
Saudi Electricity Company Sukuk (SEC-III)	-	25,063
Saudi Hollandi Bank Sukuk (SHB-II)	-	15,029
<i>Held-to-maturity investments – Unquoted</i>		
Saudi Hollandi Bank Sukuk (SHB-I)	-	5,006
Bank Al Jazira Sukuk	-	20,135
General Authority of Civil Aviation Sukuk (GACA - I)	-	50,545
The National Industrialization Company Sukuk (TASNEE - I)	-	50,101
Olayan Real Estate Company Sukuk (ORECO - I)	-	10,047
The Power and Water Utility Company for Jubail and Yanbu Sukuk (MARAFIQ)	-	12,018
	-	187,944
Total investments	398,747	187,944

Quoted held-to-maturity investments represent sukuku which are listed on Tadawul.

Available-for-sale investments in takaful operations represent investments in units of mutual funds managed by HSBC Saudi Arabia Limited, being a related party of the Company.

The maturity profile of held-to-maturity investments is as follows:

<i>Maturity profile - Held-to-maturity investments</i>	<i>Maturity date</i>
- Saudi Electricity Company Sukuk (SEC-III)	10 May 2017
- Saudi Hollandi Bank Sukuk (SHB-II)	26 November 2019
- Saudi Hollandi Bank Sukuk (SHB-I)	29 December 2019
- Bank Al Jazira Sukuk	28 March 2021
- General Authority of Civil Aviation Sukuk (GACA - I)	18 January 2022
- The National Industrialization Company Sukuk (TASNEE - I)	21 May 2019
- Olayan Real Estate Company Sukuk (ORECO - I)	25 June 2017
- The Power and Water Utility Company for Jubail and Yanbu Sukuk (MARAFIQ)	27 May 2018

b) The fair value of held-to-maturity investments as at 31 December 2015 is SAR 188.28 million (31 December 2014: SAR 187.33 million).

c) The movement in the available-for-sale investments held to cover unit-linked liabilities was as follows:

	31 December 2015 (Unaudited) SAR'000	31 December 2014 (Audited) SAR'000
Opening balance	398,747	455,806
Purchased during the year	96,344	102,884
Sold during the year	(90,452)	(186,783)
Net change in fair values of investments	404,639 (29,900)	371,907 26,840
Closing balance	374,739	398,747

SABB Takaful Company (A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 December 2015

3. INVESTMENTS (continued)

The Company uses the following hierarchy methods for determining and disclosing the fair value of available-for-sale investments at the reporting period end:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The Company's available-for-sale investments are classified under Level 2 hierarchy.

4. CONTRIBUTIONS RECEIVABLE, NET

	<i>31 December 2015 (Unaudited) SAR'000</i>	<i>31 December 2014 (Audited) SAR'000</i>
Due from policy holders	6,228	6,402
Due from a shareholder (The Saudi British Bank)	6,292	6,254
	<u>12,520</u>	<u>12,656</u>
Provision for impairment	(146)	(823)
	<u>12,374</u>	<u>11,833</u>

5. CASH AND CASH EQUIVALENTS

	<i>31 December 2015 (Unaudited) SAR'000</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>
Bank balances	18,122	2,958
Murabaha deposits	25,000	130,000
	<u>43,122</u>	<u>132,958</u>
	<i>31 December 2014 (Audited) SAR'000</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>
Bank balances	25,009	5,371
Murabaha deposits	15,019	138,055
	<u>40,028</u>	<u>143,426</u>

Bank balances are maintained with the Saudi British Bank, a shareholder of the Company.

As at 31 December 2015, murabaha deposits amounting to nil (31 December 2014: SAR 35 million) were maintained with the Saudi British Bank, a shareholder of the Company.

SABB Takaful Company (A Saudi Joint Stock Company)
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6. OUTSTANDING CLAIMS

	<i>31 December 2015 (Unaudited)</i>		
	<i>Gross SAR'000</i>	<i>Retakaful share SAR'000</i>	<i>Net SAR'000</i>
Family Takaful outstanding claims			
- Outstanding claim reserves	8,503	(5,846)	2,657
- Incurred but not reported reserve and other reserves	17,356	(12,805)	4,551
General Takaful outstanding claims			
- Outstanding claim reserves	17,216	(16,249)	967
- Incurred but not reported reserve and other reserves	4,822	(3,060)	1,762
Total outstanding claims	47,897	(37,960)	9,937
	<i>31 December 2014 (Audited)</i>		
	<i>Gross SAR'000</i>	<i>Retakaful share SAR'000</i>	<i>Net SAR'000</i>
Family Takaful outstanding claims			
- Outstanding claim reserves	6,661	(4,615)	2,046
- Incurred but not reported reserve and other reserves	14,353	(10,102)	4,251
General Takaful outstanding claims			
- Outstanding claim reserves	37,225	(36,415)	810
- Incurred but not reported reserve and other reserves	11,947	(3,524)	8,423
Total outstanding claims	70,186	(54,656)	15,530

7. MOVEMENT IN RESERVE FOR TAKAFUL ACTIVITIES AND NET UNEARNED CONTRIBUTION INCOME

a) Movement in reserve for takaful activities

	<i>Year ended 31 December 2015 (Unaudited) SAR'000</i>	<i>Year ended 31 December 2014 (Audited) SAR'000</i>
Balance as at the beginning of the year	389,166	447,129
Changes in reserve during the year	41,885	(59,781)
Planholder charges	(26,412)	(25,022)
Net change in fair value of investments	(29,900)	26,840
Balance as at the end of the year	374,739	389,166

During the quarter ended December 31, 2015, the company has increased its reserves for takaful activities for Individual Family business segment by SR 9.58 million to match with the underlying assets value.

The reserve for takaful activities represents the unit linked takaful plan reserve.

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7. MOVEMENT IN RESERVE FOR TAKAFUL ACTIVITIES AND NET UNEARNED CONTRIBUTION INCOME (continued)

b) Movement in net unearned contribution

	<i>Twelve months ended 31 December 2015</i>		
	<i>(Unaudited)</i>		
	<i>Gross</i>	<i>Retakaful</i>	<i>Net</i>
	<i>SAR'000</i>	<i>share</i>	<i>SAR'000</i>
		<i>SAR'000</i>	<i>SAR'000</i>
Balance as at the beginning of the period	20,310	(12,848)	7,462
Contribution written during the period	89,877	(57,605)	32,272
Contribution earned during the period	(88,746)	56,276	(32,470)
Balance as at the end of the period	21,441	(14,177)	7,264

	<i>Year ended 31 December 2014</i>		
	<i>(Audited)</i>		
	<i>Gross</i>	<i>Retakaful</i>	<i>Net</i>
	<i>SAR'000</i>	<i>share</i>	<i>SAR'000</i>
		<i>SAR'000</i>	<i>SAR'000</i>
Balance as at the beginning of the year	20,928	(11,671)	9,257
Contribution written during the year	83,667	(51,917)	31,750
Contribution earned during the year	(84,285)	50,740	(33,545)
Balance as at the end of the year	20,310	(12,848)	7,462

8. SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, business segments have been approved by management in respect of the Company's activities. The Company's gross written contribution, net written contribution and planholder charges, net contributions earned and planholder charges, fees and commission income, net claims incurred, surrenders and maturities, policy acquisition costs, underwriting surplus, investment income, general and administrative expenses, net surplus/ (deficit), surplus from takaful operations after shareholders' appropriation, net profit, amortisation, depreciation, purchase of intangible assets and motor vehicle, intangible assets, motor vehicle, available-for-sale investments, contribution receivables, net, retakaful share of outstanding claims and unearned contributions, deferred policy acquisition costs, total assets, reserve for takaful activities, gross unearned contributions, unearned commission income, gross outstanding claims and total liabilities, by business segment, are stated below.

Segment assets do not include retakaful balances receivable, prepayments and other receivables, cash and cash equivalents and due from shareholders. Accordingly they are included in unallocated assets.

Segment liabilities do not include surplus distribution payable, retakaful balances payable, payables, accruals and others and provision for employees' end of service benefits. Accordingly they are included in unallocated liabilities.

The unallocated assets and unallocated liabilities are not separately reported to chief operating decision maker under the related segments and are monitored on centralised basis.

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8. SEGMENTAL INFORMATION (continued)

	<i>Shareholders' Fund SAR'000</i>	<i>Individual Family (Protection & Savings) SAR'000</i>	<i>Group Family (Protection & Savings & Savings SAR'000</i>	<i>General Takaful SAR'000</i>	<i>Total SAR'000</i>
For the three months ended					
31 December 2015 (Unaudited)					
Gross written contribution	-	26,021	15,070	12,138	53,229
Net written contribution and Planholder charges	-	32,020	6,278	1,833	40,131
Net contributions earned and Planholder charges	-	19,145	7,031	1,351	27,527
Fees and commission income	-	-	1,151	1,437	2,588
Net claims incurred	-	(237)	(2,996)	(288)	(3,521)
Surrenders and maturities	-	(22,109)	-	-	(22,109)
Policy acquisition costs	-	(884)	(2,245)	(614)	(3,743)
Underwriting (loss)/ surplus for the period	-	(4,085)	2,941	1,886	742
Investment income	1,426	336	22	-	1,784
General and administrative expenses	(3,673)	(4,952)	(2,197)	(2,543)	(13,365)
Net (deficit)/ surplus for the period	(2,247)	(8,701)	766	(657)	(10,839)
Deficit from takaful operations after shareholders' appropriation					858
Net loss for the period					(9,981)
Purchase of intangibles	651	-	-	-	651
Amortisation	127	-	-	-	127
Depreciation	4	-	-	-	4
For the twelve months ended					
31 December 2015 (Unaudited)					
Gross written contribution	-	112,306	60,834	29,043	202,183
Net written contribution and Planholder charges	-	137,365	26,712	5,560	169,637
Net contributions earned and Planholder charges	-	95,480	25,956	6,514	127,950
Fees and commission income	-	224	1,576	5,392	7,192
Net claims incurred	-	(700)	(10,953)	5,515	(6,138)
Surrenders and maturities	-	(80,004)	-	-	(80,004)
Policy acquisition costs	-	(3,482)	(2,949)	(2,307)	(8,738)
Underwriting surplus for the period	-	11,518	13,630	15,114	40,262
Investment income	5,073	1,384	22	13	6,492
General and administrative expenses	(5,017)	(13,222)	(11,091)	(13,385)	(42,715)
Net surplus/ (deficit) for the period	56	(320)	2,561	1,742	4,039
Surplus from takaful operations after shareholders' appropriation					(399)
Net profit for the period					3,640
Purchase of intangibles	651	-	-	-	651
Amortisation	451	-	-	-	451
Depreciation	17	-	-	-	17

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8. SEGMENTAL INFORMATION (continued)

	<i>Shareholders' Fund SAR'000</i>	<i>Individual Family (Protection & Savings SAR'000</i>	<i>Group Family (Protection & Savings SAR'000</i>	<i>General Takaful SAR'000</i>	<i>Total SAR'000</i>
31 December 2015 (Unaudited)					
Intangible assets	1,394	-	-	-	1,394
Motor vehicle	48	-	-	-	48
Takaful operations' assets					
Available-for-sale investments	-	374,739	-	-	374,739
Contribution receivables, net	-	-	3,927	8,447	12,374
Retakaful share of outstanding claims	-	349	18,303	19,308	37,960
Retakaful share of unearned contributions	-	-	2,346	11,831	14,177
Deferred policy acquisition costs	-	-	388	792	1,180
Unallocated assets	-	-	-	-	47,691
Total takaful operations' assets					488,121
Total shareholders' assets	364,570	-	-	-	364,570
Total assets					852,691
Takaful operations' liabilities					
Reserve for takaful activities	-	374,739	-	-	374,739
Gross unearned contributions	-	-	6,549	14,892	21,441
Unearned commission income	-	-	-	2,950	2,950
Gross outstanding claims	-	1,604	24,255	22,038	47,897
Unallocated liabilities	-	-	-	-	40,695
Total takaful operations' liabilities					487,722
Total shareholders' liabilities	9,500	-	-	-	9,500
Total liabilities					497,222
For the three months ended 31 December 2014 (Unaudited)					
Gross written contribution	-	26,883	12,339	11,896	51,118
Net written contribution and Planholder charges	-	32,327	4,720	2,298	39,345
Net contributions earned and Planholder charges	-	45,073	5,831	2,445	53,349
Fees and commission income	-	1	3,951	1,503	5,455
Net claims incurred	-	170	(1,846)	(780)	(2,456)
Surrenders and maturities	-	(39,527)	-	-	(39,527)
Policy acquisition costs	-	(944)	(1,537)	(623)	(3,104)
Underwriting surplus for the period	-	4,773	6,399	2,545	13,717
Investment income	1,279	359	-	15	1,653
General and administrative expenses	(757)	(4,126)	(2,592)	(1,586)	(9,061)
Net surplus for the period	522	1,006	3,807	974	6,309
Surplus from takaful operations after shareholders' appropriation					(578)
Net profit for the period					5,731
Purchase of intangible assets	88	-	-	-	88
Purchase of motor vehicle	69	-	-	-	69
Amortisation	98	-	-	-	98

SABB Takaful Company (A Saudi Joint Stock Company)

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8. SEGMENTAL INFORMATION (continued)

	<i>Shareholders' Fund</i> SAR'000	<i>Individual Family (Protection & Savings)</i> SAR'000	<i>Group Family (Protection & Savings)</i> SAR'000	<i>General Takaful</i> SAR'000	<i>Total</i> SAR'000
For the twelve months ended 31 December 2014 (Audited)					
Gross written contribution	-	109,414	56,086	27,581	193,081
Net written contribution and Planholder charges	-	133,104	23,166	8,584	164,854
Net contributions earned and Planholder charges	-	192,885	23,070	10,475	226,430
Fees and commission income	-	471	7,575	6,078	14,124
Net claims incurred	-	(1,081)	(9,763)	(1,759)	(12,603)
Surrenders and maturities	-	(168,291)	-	-	(168,291)
Policy acquisition costs	-	(3,910)	(5,947)	(2,466)	(12,323)
Underwriting surplus for the year	-	20,074	14,935	12,328	47,337
Investment income	5,366	1,411	-	32	6,809
General and administrative expenses	(2,673)	(11,857)	(10,557)	(10,454)	(35,541)
Net surplus for the year	<u>2,693</u>	<u>9,628</u>	<u>4,378</u>	<u>1,906</u>	<u>18,605</u>
Surplus from takaful operations after shareholders' appropriation					<u>(1,591)</u>
Net profit for the year					<u>17,014</u>
Purchase of intangible assets	711	-	-	-	711
Purchase of motor vehicle	69	-	-	-	69
Amortisation	345	-	-	-	345
Depreciation	4	-	-	-	4
31 December 2014 (Audited)					
Intangible assets	1,194	-	-	-	1,194
Motor vehicle	65	-	-	-	65
Takaful operations' assets					
Available-for-sale investments	-	398,747	-	-	398,747
Contribution receivables, net	-	-	2,417	9,416	11,833
Retakaful share of outstanding claims	-	512	14,204	39,940	54,656
Retakaful share of unearned contributions	-	-	1,926	10,922	12,848
Deferred policy acquisition costs	-	-	439	972	1,411
Unallocated assets	-	-	-	-	49,455
Total takaful operations' assets					<u>528,950</u>
Total shareholders' assets	366,790	-	-	-	<u>366,790</u>
Total assets					<u>895,740</u>
Takaful operations' liabilities					
Reserve for takaful activities	-	389,166	-	-	389,166
Gross unearned contributions	-	-	5,373	14,937	20,310
Unearned commission income	-	-	-	2,263	2,263
Gross outstanding claims	-	1,599	19,415	49,172	70,186
Unallocated liabilities	-	-	-	-	45,434
Total takaful operations' liabilities					<u>527,359</u>
Total shareholders' liabilities	11,065	-	-	-	<u>11,065</u>
Total liabilities					<u>538,424</u>

All of the Company's operating assets and principal activities are located in the Kingdom of Saudi Arabia.

SABB Takaful Company (A Saudi Joint Stock Company)

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9. BASIC AND DILUTED (LOSS)/ EARNINGS PER SHARE

(Loss)/ earnings per share amounts are calculated by dividing the net (loss)/ profit for the period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding at the reporting date as follows:

	<i>Three months ended 31 December 2015 SR'000 (Unaudited)</i>	<i>Three Months ended 31 December 2014 SR'000 (Unaudited)</i>	<i>Twelve months ended 31 December 2015 SR'000 (Unaudited)</i>	<i>Twelve months ended 31 December 2014 SR'000 (Audited)</i>
Net (loss)/ profit for the period (SAR'000)	<u>(9,981)</u>	<u>5,731</u>	<u>3,640</u>	<u>17,014</u>
Weighted average number of ordinary shares (Number in thousands)	<u>34,000</u>	<u>34,000</u>	<u>34,000</u>	<u>34,000</u>
(Loss)/ earnings per share (SAR)	<u>(0.29)</u>	<u>0.17</u>	<u>0.11</u>	<u>0.50</u>

10. RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's Board of Directors.

a) Transactions with related parties

The summary of major related party transactions is as follows:

	<i>Three months ended 31 December 2015 SR'000 (Unaudited)</i>	<i>Three Months ended 31 December 2014 SR'000 (Unaudited)</i>	<i>Twelve months ended 31 December 2015 SR'000 (Unaudited)</i>	<i>Twelve months ended 31 December 2014 SR'000 (Audited)</i>
The Saudi British Bank <i>(a shareholder of the Company)</i>				
Contributions	15,544	18,433	51,545	52,956
Claims paid	11,609	7,646	30,741	31,146
Other expenses				
- IT maintenance cost and related expenses	1,337	978	5,309	5,611
- Overheads	29	68	197	171
Amlak International Real Estate and Development <i>(Managing director of Amlak was a board member of the Company)</i>				
Contributions	429	(31)	1,500	69
Claims paid	-	14	-	14
Other entities controlled, jointly controlled or significantly influenced by related parties				
Policy acquisition costs paid	1,342	1,267	6,927	6,397
HSBC Saudi Arabia Limited - IBSA				
Contributions	730	-	879	100
Claims paid	500	-	500	-
Rebate on unit-linked investments	289	355	1,286	1,373

'Other expenses' include costs for various services under a management agreement between Saudi British Bank (SABB) and the Company. As per the agreement, SABB will provide operational services to the Company including use of fixed assets and IT infrastructure at a consideration mutually agreed between the parties.

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10. RELATED PARTY TRANSACTIONS (continued)

b) Compensation of key management personnel

Key management personnel of the Company include all directors, executive and non-executive, and senior management. The summary of compensation of key management personnel for the period is as follows.

	<i>Three months period ended 31 December 2015 SAR'000 (Unaudited)</i>		<i>Three months period ended 31 December 2014 SAR'000 (Unaudited)</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>	<i>Takaful Operations</i>	<i>Shareholders</i>
Salaries and other benefits	942	-	950	-
End-of-service benefits	29	-	29	-
Directors' remunerations and other benefits	-	46	-	147
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<i>Twelve months period ended 31 December 2015 SAR'000 (Unaudited)</i>		<i>Twelve months period ended 31 December 2014 SAR'000 (Audited)</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>	<i>Takaful Operations</i>	<i>Shareholders</i>
Salaries and other benefits	3,768	-	3,672	-
End-of-service benefits	152	-	152	-
Directors' remunerations and other benefits	-	182	-	587
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

11. LITIGATION

The Company is subject to litigation in the normal course of its business. During the quarter ended 30 June 2012, a legal case amounting to SR 65.88 million, which significantly exceeds the claim amount, was filed against the Company by a policyholder disputing the claim amount under a policy. Based on the legal advice, out of SAR 65.88 million, the Company recorded a provision amounting to SAR 22.92 million for the said claim.

Based on the hearing held during the quarter ended 30 September 2015, the litigation has been mutually decided in arbitration agreement between the claimant and SABB Takaful Company (the 'Company'). Based on the arbitration agreement, the Company is required to settle the claim for an amount of SAR 9.25 million instead of SAR 22.92 million. The SAMA Committee for Resolution of Insurance Disputes and Violations' final order has also been issued effecting the arbitration agreement. Further, the Company has reflected the financial impacts of the arbitration agreement in its books of accounts. The claim was adequately reinsured and there was no significant impact of such matter on the statement of income – takaful operations.

During the quarter ended 31 December 2015, the Company has settled the agreed amount of claim amounting to SAR 9.25 million and the related re-insurance recoveries have also been fully collected subsequent to year end.

12. ZAKAT AND TAX

Status of Assessment

During the quarter ended 31 March 2015, the Department of Zakat and Income Tax (DZIT) has issued the final tax certificates for the years from 2008 to 2010. The DZIT has filed an appeal in the higher appellate forum relating to a matter relating to assessed tax years (2008-2010). Further, DZIT has yet to commence its review for the years from 2011 to 2014.

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13. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain of the prior period amounts have been reclassified to conform with the presentation in the current period. These changes were made for better presentation of balances and transactions in the interim condensed financial statements of the Company.

14. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors on 8 Rabi' al-Akhir 1437H corresponding to 18 January 2016.