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

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED
30 JUNE 2014**

ALAHLI TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2014

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

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

Scope of review

We have reviewed the accompanying interim statement of financial position of AlAhli Takaful Company - a Saudi Joint Stock Company (the "Company") as at 30 June 2014, and the related interim statements of insurance operations and accumulated surplus, shareholders' operations and comprehensive income for the three-month and six-month period then ended and the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the six-month period then ended and related notes from 1 to 12 which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the International Accounting Standard 34 – Interim Financial Reporting ("IAS 34") and submitted to us together with all the information and explanations which we required. We conducted our review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with Generally Accepted Auditing Standards in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

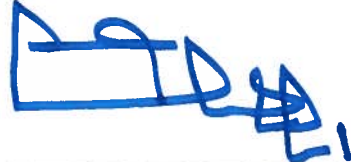
Conclusion

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

Emphasis of matter

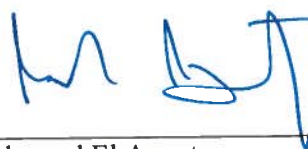
We draw attention to the fact that these interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.

for KPMG Al Fozan & Al Sadhan



Ebrahim Oboud Baeshen
Certified Public Accountant
Licence No. 382

for El Sayed El Ayouuty & Co.



Mohamed El Ayouuty
Certified Public Accountant
Licence No. 211



Jeddah, Kingdom of Saudi Arabia
23 Ramadan 1435H
Corresponding to 20 July 2014



ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

		30 June 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
	<i>Notes</i>		
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	96,488	34,781
Trading investments held to cover unit-linked liabilities	4	659,976	609,459
Contribution receivable from a related party	8(b)	3,587	463
Accrued income	8(b)	451	436
Prepayments and other receivables		781	178
Reinsurance share of outstanding claims		10,714	-
Reinsurance share of unearned contribution		5,998	465
Furniture, fittings and office equipment		650	859
Total Insurance Operations' Assets		778,645	646,641
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	1,110	200
Trading investments	4	130,027	128,659
Due from Insurance Operations		9,304	4,640
Prepayments and other receivables		4,491	334
Statutory deposit		16,667	16,667
Total Shareholders' Assets		161,599	150,500
TOTAL ASSETS		940,244	797,141

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

As at 30 June 2014

		30 June 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
	<u>Notes</u>		
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance Operations' Liabilities			
Technical reserve for Insurance Operations	6	678,673	617,660
Unearned contribution - gross		11,499	853
Outstanding claims - gross		13,717	324
Reinsurance balances payable		39,815	11,768
Due to related parties	8(b)	398	71
Due to Shareholders' Operations		9,304	4,640
Contributions received in advance		11,537	535
Accruals and other payables		10,216	9,150
Employees' end of service benefits		834	471
Total Insurance Operations' Liabilities		775,993	645,472
Insurance Operations' Surplus			
Surplus from Insurance Operations		2,652	1,169
Total Insurance Operations' Liabilities and Surplus		778,645	646,641
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' Liabilities			
Accruals and other payables		1,643	1,936
Accrued Zakat and tax	5	10,361	8,925
Total Shareholders' Liabilities		12,004	10,861
Shareholders' Equity			
Share capital		166,667	166,667
Statutory reserve		7,874	7,874
Accumulated losses		(24,946)	(34,902)
Total Shareholders' Equity		149,595	139,639
Total Shareholders' Liabilities and Equity		161,599	150,500
TOTAL INSURANCE OPERATIONS' LIABILITIES, SURPLUS, SHAREHOLDERS' LIABILITIES AND EQUITY		940,244	797,141

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 six-month periods ended 30 June 2014

		Three-month period ended 30 June		Six-month period ended 30 June	
		2014	2013	2014	2013
	Notes	SR'000	SR'000	SR'000	SR'000
INSURANCE REVENUE					
Gross contributions		39,669	32,187	127,667	72,976
Investible contribution, net		(26,091)	(23,832)	(51,752)	(47,943)
Net insurance contributions		13,578	8,355	75,915	25,033
Reinsurance ceded		(3,607)	(1,811)	(37,221)	(9,670)
Net written contributions		9,971	6,544	38,694	15,363
Change in net unearned contribution		8,423	753	(5,113)	(389)
Net insurance revenue		18,394	7,297	33,581	14,974
CLAIMS AND EXPENSES					
Gross claims paid		(7,932)	(2,050)	(9,915)	(3,048)
Reinsurance share of claims paid		6,523	1,845	8,308	2,743
Net claims paid		(1,409)	(205)	(1,607)	(305)
Change in outstanding claims provision	7	(2,053)	(34)	(3,723)	(6)
Net claims incurred		(3,462)	(239)	(5,330)	(311)
Acquisition fee paid to the Distributing Shareholder	8	(1,510)	-	(2,631)	-
Entrance fee paid to the Technical and Distributing Shareholders	1 & 8	(458)	(716)	(1,028)	(1,609)
Administration fee paid to the Technical and Distributing Shareholders	1 & 8	(2,170)	(1,674)	(4,292)	(3,325)
Supervision and inspection fee		(308)	(282)	(849)	(597)
Other direct underwriting expenses		(80)	(79)	(154)	(151)
Service charges paid to Technical Shareholder	1 & 8	(900)	-	(1,800)	-
Total claims and expenses		(8,888)	(2,990)	(16,084)	(5,993)
Underwriting surplus for the period		9,506	4,307	17,497	8,981
Investment fund fee	8	1,222	984	2,374	1,929
General and administration expenses		(2,721)	(3,479)	(5,046)	(7,101)
Surplus for the period from Insurance Operations		8,007	1,812	14,825	3,809
Shareholders' share of surplus from Insurance Operations	2(a)	(7,206)	(1,631)	(13,342)	(3,428)
Policyholders' share of surplus for the period		801	181	1,483	381
Accumulated policyholders' surplus at the beginning of the period		1,851	735	1,169	535
ACCUMULATED POLICYHOLDERS' SURPLUS AT THE END OF THE PERIOD		2,652	916	2,652	916

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 six-month periods ended 30 June 2014

	<i>Notes</i>	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
		<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
		<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Shareholders' share of surplus from Insurance Operations	2(a)	7,206	1,631	13,342	3,428
Unrealised gain on investment	4	697	678	1,368	3,365
Total income		7,903	2,309	14,710	6,793
General and administration expenses		(1,291)	(693)	(2,776)	(1,428)
NET INCOME FOR THE PERIOD		6,612	1,616	11,934	5,365
Weighted average number of ordinary shares outstanding (in thousands)	11	16,667	16,667	16,667	16,667
Earnings per share for the period (SR)	11	0.40	0.10	0.72	0.32

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 COMPREHENSIVE INCOME (UNAUDITED)

For the three-month and six-month periods ended 30 June 2014

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
NET INCOME FOR THE PERIOD	6,612	1,616	11,934	5,365
Zakat and income tax for the period (note 5)	(1,029)	(669)	(1,978)	(1,492)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>5,583</u>	<u>947</u>	<u>9,956</u>	<u>3,873</u>

Director

Chief Executive Officer

Chief Financial Officer

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ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six-month periods ended 30 June 2014

For the six-month period ended 30 June 2014

	<u>Share capital</u> <u>SR '000</u>	<u>Statutory reserve</u> <u>SR '000</u>	<u>Accumulated losses</u> <u>SR '000</u>	<u>Total</u> <u>SR '000</u>
Balance as at 31 December 2013 (audited)	166,667	7,874	(34,902)	139,639
Net income for the six-month period	-	-	11,934	11,934
Zakat and income tax for the six-month period (note 5)	-	-	(1,978)	(1,978)
Balance at 30 June 2014 (unaudited)	166,667	7,874	(24,946)	149,595

For the six-month period ended 30 June 2013

	<u>Share capital</u> <u>SR '000</u>	<u>Statutory reserve</u> <u>SR '000</u>	<u>Accumulated losses</u> <u>SR '000</u>	<u>Total</u> <u>SR '000</u>
Balance as at 31 December 2012 (audited)	166,667	7,874	(40,177)	134,364
Net income for the six-month period	-	-	5,365	5,365
Zakat and income tax for the six-month period	-	-	(1,492)	(1,492)
Balance at 30 June 2013 (unaudited)	166,667	7,874	(36,304)	138,237

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 six-month periods ended 30 June 2014

	<u>2014</u> <u>SR'000</u>	<u>2013</u> <u>SR'000</u>
OPERATING ACTIVITIES		
Policyholders' share of surplus for the period after shareholders' share	1,483	381
Adjustments for the period:		
Depreciation	271	823
Employees' end of service benefits, net	363	(24)
Reinsurance share of unearned contribution	(5,533)	(1,688)
Unearned contribution – gross	10,646	2,336
Allowance for doubtful receivables	10	-
	<u>7,240</u>	<u>1,828</u>
Changes in operating assets and liabilities:		
Trading investments held to cover unit-linked liabilities	(50,517)	(57,561)
Contribution receivable from a related party	(3,134)	174
Accrued income	(15)	(44)
Prepayments and other receivables	(603)	(557)
Reinsurance share of outstanding claims	(10,714)	-
Technical reserve for Insurance Operations	61,013	58,343
Outstanding benefits – gross	13,393	324
Reinsurance balances payable	28,047	5,300
Due to Shareholders' Operations	4,664	921
Due to a related party	327	(1,695)
Contributions received in advance	11,002	-
Accruals and other payables	1,066	105
	<u>61,769</u>	<u>7,138</u>
Net cash from operating activities		
INVESTING ACTIVITY		
Purchase of furniture, fittings and office equipment	(62)	(182)
	<u>61,707</u>	<u>6,956</u>
Net increase in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	34,781	19,817
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u><u>96,488</u></u>	<u><u>26,773</u></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 six-month periods ended 30 June 2014

	<u>2014</u> <u>SR'000</u> <i>(unaudited)</i>	<u>2013</u> <u>SR'000</u> <i>(unaudited)</i>
OPERATING ACTIVITIES		
Net income for the period	11,934	5,365
Adjustments for the period:		
Unrealised gain on trading investments	(1,368)	(3,365)
	<u>10,566</u>	<u>2,000</u>
Changes in operating assets and liabilities:		
Prepayments and other receivables	(4,157)	(164)
Due from Insurance Operations	(4,664)	(921)
Accruals and other payables	(293)	(582)
Zakat and income tax paid	(542)	(113)
	<u>910</u>	<u>220</u>
Net increase in cash and cash equivalents	910	220
Cash and cash equivalents at the beginning of the period	<u>200</u>	<u>65</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>1,110</u>	<u>285</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 June 2014

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

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

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

The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. The Company commenced its commercial operations on 4 February 2008. The Company was listed on the Saudi Stock Exchange on 18 August 2007. As at 30 June 2014, the Company is owned 71.15% by Saudi founding shareholders and general public and 28.85% by non-Saudi shareholders.

On 10 February 2014, the Board of the Directors of the Company terminated the Cooperation Agreement ("the Agreement") with FWU AG (FWU), a shareholder, for provision and servicing of Company's products, and terminated the Distribution Agreement as exclusively related to FWU providing the appointed distributor with access to the Sales and Insurance System, effective from 31 December 2013 (the "Termination Date"). After termination of the Agreement, 50% of the income relating to the entrance fee and administration fee attributable to FWU from existing insurance policies as at 31 December 2013 are payable to FWU on monthly basis until such time as those policies are either surrendered, matured, lapsed, cancelled, terminated or settled as part of a claim. Furthermore, the Company and FWU have agreed into a contract under which FWU will continue to provide its services for a minimum of eighteen months and up to a maximum of thirty months from the Termination Date to assist the Company in completing the implementation of a new system, at a monthly service charge of SR 300 thousand. This arrangement has been approved by the shareholders of the Company in the General Assembly Meeting held on 8 April 2014.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) *Basis of presentation*

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

The accounting policies adopted by the Company for the preparation of these interim condensed financial statements are in accordance with International Financial Reporting Standards (IFRS) and are consistent with those used for the preparation of the annual financial statements for the year ended 31 December 2013 except for adoption of new and amended IFRS and International Financial Reporting Interpretations Committee Interpretations (IFRIC) as mentioned in note 2(b) which had no impact on the financial position or financial performance of the Company.

The preparation of interim condensed financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the interim condensed financial statements and the reported amounts of revenues and expenses during the interim reported period. Although these estimates and judgements are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. In the opinion of the management, the interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim period presented. The interim condensed financial statements are expressed in Saudi Arabian Riyals, being the functional currency of the Company and have been rounded off to the nearest thousand, unless otherwise specified.

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

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

At 30 June 2014

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

a) Basis of presentation (continued)

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

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

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

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

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

Standard	Description
IFRS 10, IFRS 12 and IAS 27	Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities
IAS 32	Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
IAS 36	Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
IAS 39	Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

The adoption of the relevant new and amended standards and interpretations applicable to the Company did not have any significant impact on these interim condensed financial statements.

c) Standards issued but not yet effective

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

Standard/ Interpretation	Description	Effective from periods beginning on or after the following date
IFRS 9	Financial Instruments	To be announced
IFRS 11	Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IAS 16 and IAS 38	Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 19	Amendments to IAS 19 Defined Benefit Plans: Employee Contributions	1 July 2014

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 2014

3 CASH AND CASH EQUIVALENTS

	30 June 2014 <i>(Unaudited)</i> SR'000	31 December 2013 <i>(Audited)</i> SR'000
<i>Insurance Operations</i>		
Cash in hand	4	4
Cash at bank (see note 3.1)	96,484	34,777
	<u>96,488</u>	<u>34,781</u>
<i>Shareholders' Operations</i>		
Cash at bank (see note 3.1)	<u>1,110</u>	<u>200</u>

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

4 TRADING INVESTMENTS

	30 June 2014 <i>(Unaudited)</i> SR'000	31 December 2013 <i>(Audited)</i> SR'000
<i>Insurance Operations</i>		
Al Manarah Conservative Growth Strategy	392,064	362,675
Al Manarah Medium Growth Strategy	154,501	142,662
Al Manarah High Growth Strategy	113,411	104,122
	<u>659,976</u>	<u>609,459</u>

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

	30 June 2014 <i>(Unaudited)</i> SR'000	31 December 2013 <i>(Audited)</i> SR'000
<i>Shareholders' Operations</i>		
Al Ahli Takaful Discretionary Portfolio	<u>130,027</u>	<u>128,659</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 six-month period ended 30 June 2014 and year ended 31 December 2013 is as follows:

	30 June 2014 <i>(Unaudited)</i> SR'000	31 December 2013 <i>(Audited)</i> SR'000
<i>Insurance Operations</i>		
Balance at the beginning of the period/ year	609,459	479,814
Purchased during the period/ year	42,301	88,899
Unrealised gain during the period/ year (note 6 (b))	8,216	40,746
	<u>659,976</u>	<u>609,459</u>

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 June 2014

4 TRADING INVESTMENTS (continued)

	<i>30 June 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
<i>Shareholders' Operations</i>		
Balance at the beginning of the period/ year	128,659	122,943
Unrealised gain during the period/ year	1,368	5,716
	<u>130,027</u>	<u>128,659</u>
Balance at the end of the period/ year	<u>130,027</u>	<u>128,659</u>

5 ZAKAT AND INCOME TAX

The Zakat and income tax payable by the Company has been calculated based on the best estimates of the management.

The movement in Zakat and income tax payable for the six-month period ended 30 June 2014 and year ended 31 December 2013 is as follows:

	<i>30 June 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
Balance at the beginning of the period/ year	8,925	6,268
Charge for the period/ year	1,978	2,770
Zakat and income tax paid	(542)	(113)
	<u>10,361</u>	<u>8,925</u>
Balance at the end of the period/ year	<u>10,361</u>	<u>8,925</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 2013.

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. Recently, the Preliminary Appeal Committee [PAC] issued their decision upholding DZIT's treatment. The Company has filed an appeal against the PAC decision with the Higher Appeal Committee [HAC] and submitted bank guarantee for the amount under dispute.

Assessments for the years 2010 to 2013 have not yet been raised by the DZIT. However, the DZIT issued initial assessments for the years 2010 through 2013, disallowing investments from the Zakat base with additional Zakat liability of SR 1,050,759, SR 999,879, SR 2,312,290 and SR 2,584,986 respectively. The Company filed an appeal against the initial assessments and is confident of a favourable outcome.

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

At 30 June 2014

6 TECHNICAL RESERVE FOR INSURANCE OPERATIONS

- a) A technical reserve for Insurance Operations is created, as per the report received from the Actuary, as detailed below:

	<i>30 June 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
Technical reserve relating to the Participant Investment Strategies (unit liability)	673,249	616,084
Allowance for the retained risk	3,986	1,182
Incurred But Not Reported (IBNR) reserves	1,438	394
	<u>678,673</u>	<u>617,660</u>

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

	<i>30 June 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
Balance as at the beginning of the period	617,660	485,169
Change in reserve	1,044	49
Unrealized gain on investment (note 4)	8,216	40,746
Investible contribution, net	51,752	92,119
Others	1	(423)
Balance as at the end of the period	<u>678,673</u>	<u>617,660</u>

7 CHANGE IN NET OUTSTANDING CLAIMS PROVISION

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
	<i>2014 (Unaudited) SR'000</i>	<i>2013 (Unaudited) SR'000</i>	<i>2014 (Unaudited) SR'000</i>	<i>2013 (Unaudited) SR'000</i>
Change in outstanding claims – Gross	7,542	324	13,393	324
Change in outstanding claims – Reinsurance	(6,033)	(303)	(10,714)	(303)
Change in Incurred But Not Reported claims (IBNR)	544	13	1,044	(15)
Movement in outstanding claims provision	<u>2,053</u>	<u>34</u>	<u>3,723</u>	<u>6</u>

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

At 30 June 2014

8 RELATED PARTY TRANSACTIONS AND BALANCES

Insurance Operations

- a) Following are the details of major related party transactions during the six-month period ended 30 June 2014 and 2013:

<u>Related party</u>	<u>Nature of transactions</u>	<u>Amount of transactions</u>	
		<u>2014</u> (Unaudited) SR'000	<u>2013</u> (Unaudited) SR'000
<i>Insurance Operations</i>			
Shareholder	Gross Group contribution	60,665	9,756
Shareholder	Acquisition fee paid for distributing the products (See note 8(d))	2,631	-
Shareholders	Entrance fee (See note 8(d))	1,028	1,609
Shareholders	Administration fee (See note 8(d))	4,292	3,325
Shareholder	Investment fund fee	2,374	1,929
Shareholder	Service charges (note 1)	1,800	-
Key management personnel	Short-term benefits	1,456	1,814
Key management personnel	End of service benefits	75	90

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

	<u>30 June</u> <u>2014</u> (Unaudited) SR'000	<u>31 December</u> <u>2013</u> (Audited) SR'000
Gross contribution receivable from a related party - Shareholder	3,597	463
Allowance for doubtful receivables	(10)	-
	<u>3,587</u>	<u>463</u>
Payable to Technical Shareholder	(311)	(71)
Payable to Distributing Shareholder	(87)	-
Accrued investment fund fee receivable from subsidiary of a Shareholder	<u>451</u>	<u>436</u>

- c) In addition to the disclosures set out in note 1, 3 and 4 relating to related parties, amount due from and due to related parties are shown in the Interim Statement of Financial Position.
- d) Based on an arrangement between the Company and a founding shareholder, the acquisition, entrance and administration fees of one of the founding shareholders was mutually waived for the period from 1 January to 30 June 2013.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 June 2014

8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Shareholders' Operations

- a) Following are the details of Board of Directors' remuneration and related expenses during the six-month period ended 30 June 2014:

	<i>Amount of transactions</i>	
	<u>2014</u> (Unaudited) SR'000	<u>2013</u> (Unaudited) SR'000
Board remuneration	940	528
Board attendance fees	54	23
Board accommodation and travel	-	16
(b) Payable to Board of Directors		
	<u>30 June</u> <u>2014</u> (Unaudited) SR'000	<u>31 December</u> <u>2013</u> (Audited) SR'000
Remuneration and other expenses payable to Board members	<u>754</u>	<u>596</u>

9 OPERATING SEGMENT INFORMATION

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

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

Insurance - group life segment offers life protection programmes to the members of organizations on a group basis.

Insurance – group credit segment offers protection benefits in respect of personal loan given by financing organization which was started during the quarter ended 31 March 2014. This segment also include protection benefits in respect of various credit facilities other than personal loans extended by the financing organizations to its customers.

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

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 2014

9 OPERATING SEGMENT INFORMATION (continued)

	<i>Three-month period ended 30 June 2014 (unaudited)</i>			
	<i>Insurance - individual</i>	<i>Insurance- group life</i>	<i>Insurance group credit protection</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
INSURANCE REVENUE				
Gross contributions	35,131	34	4,504	39,669
Investible contribution, net	(25,717)	56	(430)	(26,091)
Net insurance contributions	9,414	90	4,074	13,578
Reinsurance ceded	(1,299)	(13)	(2,295)	(3,607)
Net written contributions	8,115	77	1,779	9,971
Change in net unearned contribution	-	659	7,764	8,423
Net insurance revenue	8,115	736	9,543	18,394
CLAIMS AND EXPENSES				
Gross claims paid	(146)	(300)	(7,486)	(7,932)
Reinsurance share of claims paid	131	240	6,152	6,523
Net claims paid	(15)	(60)	(1,334)	(1,409)
Change in outstanding claims provision	-	(1)	(2,052)	(2,053)
Net claims incurred	(15)	(61)	(3,386)	(3,462)
Acquisition fee paid to the Distributing Shareholders	(1,510)	-	-	(1,510)
Entrance fee paid to the Technical and Distributing Shareholders	(458)	-	-	(458)
Administration fee paid to the Technical and Distributing Shareholders	(2,170)	-	-	(2,170)
Supervision and inspection fee	(286)	-	(22)	(308)
Other direct underwriting expenses	(80)	-	-	(80)
Service charges paid to Technical Shareholder	(900)	-	-	(900)
Total claims and expenses	(5,419)	(61)	(3,408)	(8,888)
Underwriting surplus for the period	2,696	675	6,135	9,506
Unallocated amounts:				
- Investment fund fee				1,222
- General and administration expenses				(2,721)
Surplus for the period from Insurance Operations				8,007

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 2014

9 OPERATING SEGMENT INFORMATION (continued)

	<i>Three-month period ended 30 June 2013 (unaudited)</i>			
	<i>Insurance - individual</i>	<i>Insurance- group life</i>	<i>Insurance- group credit protection</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
INSURANCE REVENUE				
Gross contributions	31,294	19	874	32,187
Investible contribution, net	(23,945)	70	43	(23,832)
Net insurance contributions	7,349	89	917	8,355
Reinsurance ceded	(1,268)	(16)	(527)	(1,811)
Net written contributions	6,081	73	390	6,544
Change in net unearned contribution	-	190	563	753
Net insurance revenue	6,081	263	953	7,297
CLAIMS AND EXPENSES				
Gross claims paid	(331)	(850)	(869)	(2,050)
Reinsurance share of claims paid	298	765	782	1,845
Net claims paid	(33)	(85)	(87)	(205)
Change in outstanding claims provision	(21)	-	(13)	(34)
Net claims incurred	(54)	(85)	(100)	(239)
Entrance fee paid to the Technical and Distributing Shareholders	(716)	-	-	(716)
Administration fee paid to the Technical and Distributing Shareholders	(1,674)	-	-	(1,674)
Supervision and inspection fee	(278)	-	(4)	(282)
Other direct underwriting expenses	(79)	-	-	(79)
Total claims and expenses	(2,801)	(85)	(104)	(2,990)
Underwriting surplus for the period	3,280	178	849	4,307
Unallocated amounts:				
- Investment fund fee				984
- General and administration expenses				(3,479)
Surplus for the period from Insurance Operations				1,812

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 2014

9 OPERATING SEGMENT INFORMATION (continued)

	<i>Six-month period ended 30 June 2014 (unaudited)</i>			
	<i>Insurance - individual</i>	<i>Insurance- group life</i>	<i>Insurance- group credit protection</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
INSURANCE REVENUE				
Gross contributions	67,002	4,408	56,257	127,667
Investible contribution, net	(49,277)	(326)	(2,149)	(51,752)
Net insurance contributions	17,725	4,082	54,108	75,915
Reinsurance ceded	(2,509)	(1,690)	(33,022)	(37,221)
Net written contributions	15,216	2,392	21,086	38,694
Change in net unearned contribution	-	(1,365)	(3,748)	(5,113)
Net insurance revenue	15,216	1,027	17,338	33,581
CLAIMS AND EXPENSES				
Gross claims paid	(445)	(300)	(9,170)	(9,915)
Reinsurance share of claims paid	401	240	7,667	8,308
Net claims paid	(44)	(60)	(1,503)	(1,607)
Change in outstanding claims provision	-	(12)	(3,711)	(3,723)
Net claims incurred	(44)	(72)	(5,214)	(5,330)
Acquisition fee paid to the Distributing Shareholders	(2,631)	-	-	(2,631)
Entrance fee paid to the Technical and Distributing Shareholders	(1,028)	-	-	(1,028)
Administration fee paid to the Technical and Distributing Shareholders	(4,292)	-	-	(4,292)
Supervision and inspection fee	(546)	(22)	(281)	(849)
Other direct underwriting expenses	(154)	-	-	(154)
Service charges paid to Technical Shareholder	(1,800)	-	-	(1,800)
Total claims and expenses	(10,495)	(94)	(5,495)	(16,084)
Underwriting surplus for the period	4,721	933	11,843	17,497
Unallocated amounts:				
- Investment fund fee				2,374
- General and administration expenses				(5,046)
Surplus for the period from Insurance Operations				14,825

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 2014

9 OPERATING SEGMENT INFORMATION (continued)

	<i>Six-month period ended 30 June 2013 (unaudited)</i>			
	<i>Insurance - individual</i>	<i>Insurance- group life</i>	<i>Insurance- group credit protection</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
INSURANCE REVENUE				
Gross contributions	63,219	4,139	5,618	72,976
Investible contribution, net	(47,775)	(146)	(22)	(47,943)
Net Insurance contributions	15,444	3,993	5,596	25,033
Reinsurance ceded	(2,448)	(3,364)	(3,858)	(9,670)
Net written contributions	12,996	629	1,737	15,363
Change in net unearned contribution	-	(389)	-	(389)
Net insurance revenue	12,996	240	1,737	14,974
CLAIMS AND EXPENSES				
Gross claims paid	(353)	(1,760)	(935)	(3,048)
Reinsurance share of claims paid	317	1,584	842	2,743
Net claims paid	(36)	(176)	(93)	(305)
Change in outstanding benefits provision	(21)	(9)	24	(6)
Net claims incurred	(57)	(185)	(69)	(311)
Entrance fee paid to the Technical and Distributing shareholders	(1,609)	-	-	(1,609)
Administration fee paid to the Technical and Distributing Shareholders	(3,325)	-	-	(3,325)
Supervision and inspection fee	(548)	(21)	(28)	(597)
Other direct underwriting expenses	(151)	-	-	(151)
Total claims and expenses	(5,690)	(206)	(97)	(5,993)
Underwriting surplus for the period	7,306	34	1,641	8,981
Unallocated amounts:				
- Investment fund fee				1,929
- General and administration expenses				(7,101)
Surplus for the period from Insurance Operations				3,809

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 2014

9 OPERATING SEGMENT INFORMATION (continued)

	<i>As at 30 June 2014 (unaudited)</i>			
	<i>Insurance - individual</i>	<i>Insurance- group life</i>	<i>Insurance- group credit protection</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
INSURANCE OPERATIONS' ASSETS				
Cash and cash equivalents	58,900	2,264	35,324	96,488
Trading investments held to cover unit-linked liabilities	659,976	-	-	659,976
Contribution receivable from a related party	-	31	3,556	3,587
Accrued income	451	-	-	451
Reinsurance share of outstanding claims	-	-	10,714	10,714
Reinsurance share of unearned contribution	-	848	5,150	5,998
	<u>719,327</u>	<u>3,143</u>	<u>54,744</u>	<u>777,214</u>
Unallocated amounts:				
- Prepayments and other receivables				781
- Furniture, fittings and office equipment				650
Total Insurance Operations' Assets				<u><u>778,645</u></u>
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS				
Insurance Operations' Liabilities				
Technical reserve for Insurance Operations	674,790	440	3,443	678,673
Unearned contribution – gross	-	2,213	9,286	11,499
Outstanding claims – gross	324	-	13,393	13,717
Reinsurance balances payable	6,116	1,844	31,855	39,815
Due to a related parties	398	-	-	398
Contributions received in advance	11,537	-	-	11,537
Accruals and other payables	8,545	1,649	22	10,216
	<u>701,710</u>	<u>6,146</u>	<u>57,999</u>	<u>765,855</u>
Unallocated amounts:				
- Due to Shareholders Operations				9,304
- Employees' end of service benefits				834
Total Insurance Operations' Liabilities				<u>775,993</u>
Surplus from Insurance Operations				<u>2,652</u>
Total Insurance Operations' Liabilities and Surplus				<u><u>778,645</u></u>

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

At 30 June 2014

9 OPERATING SEGMENT INFORMATION (continued)

	<i>As at 31 December 2013(audited)</i>			
	<i>Insurance – individual</i>	<i>Insurance- group life</i>	<i>Insurance- group credit protection</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
INSURANCE OPERATIONS' ASSETS				
Cash and cash equivalents	26,783	694	7,304	34,781
Trading investments held to cover unit-linked liabilities	609,459	-	-	609,459
Contribution receivable from a related party	-	-	463	463
Accrued income	436	-	-	436
Reinsurance share of unearned contribution	-	-	465	465
	<u>636,678</u>	<u>694</u>	<u>8,232</u>	<u>645,604</u>
Unallocated amounts:				
- Prepayments and other receivables				178
- Furniture, fittings and office equipment				859
Total Insurance Operations' Assets				<u><u>646,641</u></u>
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS				
Insurance Operations' Liabilities				
Technical reserve for Insurance Operations	617,296	103	261	617,660
Unearned contribution – gross	-	-	853	853
Outstanding claims – gross	324	-	-	324
Reinsurance balances payable	4,513	605	6,650	11,768
Due to related parties	71	-	-	71
Contributions received in advance	535	-	-	535
Accruals and other payables	6,393	1	2,756	9,150
	<u>629,132</u>	<u>709</u>	<u>10,520</u>	<u>640,361</u>
Unallocated amounts:				
- Due to Shareholders Operations				4,640
- Employees' end of service benefits				471
Total Insurance Operations' Liabilities				<u>645,472</u>
Surplus from Insurance Operations				<u>1,169</u>
Total Insurance Operations' Liabilities and Surplus				<u><u>646,641</u></u>

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 2014

10 FAIR VALUES OF FINANCIAL INSTRUMENTS

- a) Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company's financial assets consist of cash in hand and at banks, trading investments and contribution receivable and its financial liabilities consist of outstanding claims, reinsurance balances payable, amount due to a related party and other payables. The fair values of financial instruments are not materially different from their carrying values. As at 30 June 2014, apart from the investments which are carried at fair value (note 4), there were no other financial instruments held by the Company that were measured at fair value.

- b) The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same instrument (i.e. without modification or repackaging);
Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
Level 3: valuation techniques for which any significant input is not based on observable market data.

As at 30 June 2014 and 31 December 2013, all financial instruments are fair valued are Level 2 instruments. The Company determines Level 2 fair values for trading investments based on the net assets value of the respective funds as at the end of the reporting period.

11 EARNINGS PER SHARE

Earnings per share for the period have been calculated by dividing the net income for the period by the weighted average number of ordinary issued and outstanding shares at the statement of financial position date. Diluted earnings per share is not applicable to the Company.

12 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors on 23 Ramadan 1435H, corresponding to 20 July 2014.