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

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED
31 MARCH 2014**

ALAHLI TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 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 31 March 2014, and the related interim statements of insurance operations and accumulated surplus, shareholders' operations, comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the three month period then ended 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 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.

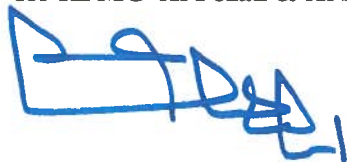
Conclusion

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



Ebrahim Oboud Baeshen
Certified Public Accountant
Licence No. 382

for El Sayed El Ayouty & Co.



Mohamed El Ayouty
Certified Public Accountant
Licence No. 211



Jeddah, Kingdom of Saudi Arabia
20 Jumada Al Thani 1435H
Corresponding to 20 April 2014



ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

INTERIM STATEMENT OF FINANCIAL POSITION (continued)

As at 31 March 2014

		31 March 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
	<i>Notes</i>		
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	71,412	34,781
Trading investments held to cover unit-linked liabilities	4	635,590	609,459
Contribution receivable from a related party	8(b)	13,990	463
Accrued income	8(b)	436	436
Prepayments and other receivables		1,053	178
Reinsurance share of outstanding claims		4,681	-
Reinsurance share of unearned contribution		18,516	465
Furniture, fittings and office equipment		754	859
Total Insurance Operations' Assets		746,432	646,641
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	11	200
Trading investments	4	129,330	128,659
Due from Insurance Operations		5,217	4,640
Prepayments and other receivables		4,532	334
Statutory deposit		16,667	16,667
Total Shareholders' Assets		155,757	150,500
TOTAL ASSETS		902,189	797,141

Director

Chief Executive Officer

Chief Financial 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 31 March 2014

		<u>31 March</u> <u>2014</u> (Unaudited) SR'000	<u>31 December</u> <u>2013</u> (Audited) SR'000
	<u>Notes</u>		
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance Operations' liabilities			
Technical reserve for Insurance Operations	6	645,151	617,660
Unearned contribution - gross		32,440	853
Outstanding claims - gross		6,175	324
Reinsurance balances payable		42,986	11,768
Due to related parties	8(b)	722	71
Due to Shareholders' Operations		5,217	4,640
Contributions received in advance		1,356	535
Accruals and other payables		9,825	9,150
Employees' end of service benefits		709	471
Total Insurance Operations' liabilities		<u>744,581</u>	<u>645,472</u>
Insurance Operations' surplus			
Surplus from Insurance Operations		<u>1,851</u>	<u>1,169</u>
Total Insurance Operations' Liabilities and Surplus		<u>746,432</u>	<u>646,641</u>
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accruals and other payables		1,871	1,936
Accrued Zakat and tax	5	9,873	8,925
Total Shareholders' liabilities		<u>11,744</u>	<u>10,861</u>
Shareholders' equity			
Share capital		166,667	166,667
Statutory reserve		7,874	7,874
Accumulated losses		(30,528)	(34,902)
Total Shareholders' equity		<u>144,013</u>	<u>139,639</u>
Total Shareholders' Liabilities and Equity		<u>155,757</u>	<u>150,500</u>
TOTAL INSURANCE OPERATIONS' LIABILITIES, SURPLUS, SHAREHOLDERS' LIABILITIES AND EQUITY		<u>902,189</u>	<u>797,141</u>

Director

Chief Executive Officer

Chief Financial 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
For the three-month period ended 31 March 2014

		Three-month period ended 31 March	
		2014 (Unaudited) SR'000	2013 (Unaudited) SR'000
	Notes		
INSURANCE REVENUE			
Gross contributions		87,998	40,788
Investible contribution, net		(25,661)	(24,110)
Net insurance contributions		62,337	16,678
Reinsurance ceded		(33,614)	(7,860)
Net written contributions		28,723	8,818
Change in net unearned contribution		(13,537)	(1,142)
Net insurance revenue		15,186	7,676
CLAIMS AND EXPENSES			
Gross claims paid		(1,983)	(997)
Reinsurance share of claims paid		1,785	898
Net claims paid		(198)	(99)
Change in outstanding claims provision	7	(1,670)	28
Net claims incurred		(1,868)	(71)
Acquisition fee paid to the Distributing Shareholder	8	(1,121)	-
Entrance fee paid to the Technical and Distributing Shareholders	1 & 8	(570)	(893)
Administration fee paid to the Technical and Distributing Shareholder	1 & 8	(2,121)	(1,651)
Supervision and inspection fee		(541)	(314)
Other direct underwriting expenses		(74)	(73)
Service charges paid to Technical Shareholder	1 & 8	(900)	-
Total claims and expenses		(7,195)	(3,002)
Underwriting surplus for the period		7,991	4,674
Investment fund fee	8	1,152	945
General and administration expenses		(2,325)	(3,623)
Surplus for the period from Insurance Operations		6,818	1,996
Shareholders' share of surplus from Insurance Operations	2(a)	(6,136)	(1,796)
Policyholders' share of surplus for the period		682	200
Accumulated policyholders' surplus at the beginning of the period		1,169	535
ACCUMULATED POLICYHOLDERS' SURPLUS AT THE END OF THE PERIOD		1,851	735

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

For the three-month period ended 31 March 2014

	<i>Notes</i>	<i>Three-month period ended 31 March</i>	
		<i>2014</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>2013</i> <i>(Unaudited)</i> <i>SR'000</i>
Shareholders' share of surplus from Insurance Operations	2(a)	6,136	1,796
Unrealised gain on investment	4	671	2,688
Total income		6,807	4,484
General and administration expenses		(1,485)	(735)
NET INCOME FOR THE PERIOD		5,322	3,749
Weighted average number of ordinary shares outstanding (in thousand)		16,667	16,667
Net income per share for the period (SR)		0.32	0.22

Director

Chief Executive Officer

Chief Financial 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

For the three-month period ended 31 March 2014

	<i>Three-month period ended 31 March</i>	
	<u>2014</u> <i>(Unaudited)</i> SR'000	<u>2013</u> <i>(Unaudited)</i> SR'000
NET INCOME FOR THE PERIOD	5,322	3,749
Zakat and income tax for the period (note 5)	(948)	(823)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>4,374</u></u>	<u><u>2,926</u></u>



Director

Chief Financial Officer

Chief Executive Officer

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ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the three-month period ended 31 March 2014

	<i>For the three-month period ended 31 March 2014</i>			
	<i>Share capital SR '000</i>	<i>Statutory reserve SR '000</i>	<i>Accumulated losses SR '000</i>	<i>Total SR '000</i>
Balance as at 31 December 2013 (audited)	166,667	7,874	(34,902)	139,639
Net income for the three-month period	-	-	5,322	5,322
Zakat for the three-month period (note 5)	-	-	(948)	(948)
Balance at 31 March 2014 (unaudited)	166,667	7,874	(30,528)	144,013

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

Director

Chief Executive Officer

Chief Financial 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
For the three-month period ended 31 March 2014

	<u>2014</u> <u>SR'000</u> <i>(Unaudited)</i>	<u>2013</u> <u>SR'000</u> <i>(Unaudited)</i>
OPERATING ACTIVITIES		
Policyholders' share of surplus for the period after shareholders' share	682	200
Adjustments for the period:		
Depreciation	146	452
Employees' end of service benefits, net	238	33
Reinsurance share of unearned contribution	(18,051)	(4,018)
Unearned contribution - gross	31,587	5,160
Allowance for doubtful receivables	-	27
	<u>14,602</u>	<u>1,854</u>
Changes in operating assets and liabilities:		
Trading investments held to cover unit-linked liabilities	(26,131)	(37,063)
Due to Shareholders' Operations	577	273
Contribution receivable from a related party	(13,527)	-
Accrued income	-	(24)
Prepayments and other receivables	(875)	(1,193)
Reinsurance share of outstanding claims	(4,681)	-
Technical reserve for Insurance Operations	27,491	36,300
Outstanding claims - gross	5,851	-
Reinsurance balances payable	31,218	6,396
Due to a related parties	651	(1,265)
Contributions received in advance	821	156
Accruals and other payables	675	(375)
	<u>36,672</u>	<u>5,059</u>
Net cash from operating activities		
INVESTING ACTIVITY		
Purchase of furniture, fittings and office equipment	(41)	(7)
	<u>36,631</u>	<u>5,052</u>
Net increase in cash and cash equivalents		
	<u>34,781</u>	<u>19,817</u>
Cash and cash equivalents at the beginning of the period		
	<u>71,412</u>	<u>24,869</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		

Director

Chief Financial Officer

Chief Executive Officer

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ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the three-month period ended 31 March 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	5,322	3,749
Adjustment for the period:		
Unrealised gain on trading investments	(671)	(2,688)
	<u>4,651</u>	<u>1,061</u>
Changes in operating assets and liabilities:		
Prepayments and other receivables	(4,198)	(182)
Due from Insurance Operations	(577)	(273)
Accruals and other payables	(65)	(632)
	<u>(189)</u>	<u>(26)</u>
Net decrease in cash and cash equivalents	(189)	(26)
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><u>11</u></u>	<u><u>39</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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 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 31 March 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 31 March 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) with a date of initial application of 1 January 2014:

<u>Standard/ Interpretation</u>	<u>Description</u>
IFRS 10	Amendment to IFRS 10 - Consolidated Financial Statements – Investment entities
IFRS 12	Amendment to IFRS 12 - Disclosure of Interest in Other Parties – Investment entities
IAS 27	Amendment to IAS 27 - Separate Financial Statements – Investment entities
IAS 32	Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities
IAS 36	Amendment to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets

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.

<u>Standard/ Interpretation</u>	<u>Description</u>	<u>Effective date</u>
IFRS 9	Financial Instruments – Classification & Measurement	2018
IAS 19	Defined Benefit Plans – Employee Contributions	July 2014

3 CASH AND CASH EQUIVALENTS

	<u>31 March</u> <u>2014</u> (Unaudited) SR'000	<u>31 December</u> <u>2013</u> (Audited) SR'000
<i>Insurance Operations</i>		
Cash in hand	4	4
Cash at bank (see note 3.1)	71,408	34,777
	<u>71,412</u>	<u>34,781</u>
<i>Shareholders' Operations</i>		
Cash at bank (see note 3.1)	11	200
	<u>11</u>	<u>200</u>

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

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2014

4 TRADING INVESTMENTS

	<i>31 March</i> <u>2014</u> <i>(Unaudited)</i> SR'000	<i>31 December</i> <u>2013</u> <i>(Audited)</i> SR'000
<i>Insurance Operations</i>		
Al Manarah Conservative Growth Strategy	379,420	362,675
Al Manarah Medium Growth Strategy	148,490	142,662
Al Manarah High Growth Strategy	107,680	104,122
	<u>635,590</u>	<u>609,459</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>31 March</i> <u>2014</u> <i>(Unaudited)</i> SR'000	<i>31 December</i> <u>2013</u> <i>(Audited)</i> SR'000
<i>Shareholders' Operations</i>		
Al Ahli Takaful Discretionary Portfolio	129,330	128,659

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

The movement in the trading investments during the three-month period ended 31 March 2014 and year ended 31 December 2013 is as follows:

	<i>31 March</i> <u>2014</u> <i>(Unaudited)</i> SR'000	<i>31 December</i> <u>2013</u> <i>(Audited)</i> SR'000
<i>Insurance Operations</i>		
Balance at the beginning of the period	609,459	479,814
Purchased during the period	24,801	88,899
Unrealised gain during the period (note 6 (b))	1,330	40,746
	<u>635,590</u>	<u>609,459</u>
Balance at the end of the period	<u>635,590</u>	<u>609,459</u>
	<i>31 March</i> <u>2014</u> <i>(Unaudited)</i> SR'000	<i>31 December</i> <u>2013</u> <i>(Audited)</i> SR'000
<i>Shareholders' Operations</i>		
Balance at the beginning of the period	128,659	122,943
Unrealised gain during the period	671	5,716
	<u>129,330</u>	<u>128,659</u>
Balance at the end of the period	<u>129,330</u>	<u>128,659</u>

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2014

5 ZAKAT AND INCOME TAX

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

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

	<i>31 March 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
Balance at the beginning of the period	8,925	6,268
Charge for the period	948	2,770
Zakat and income tax paid	-	(113)
Balance at the end of the period	<u>9,873</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 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. 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, 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:

	<i>31 March 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
Technical reserve relating to the Participant Investment		
Strategies (unit liability)	640,830	616,084
Allowance for the retained risk	3,427	1,182
Incurred But Not Reported (IBNR) reserves	894	394
	<u>645,151</u>	<u>617,660</u>

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2014

6 TECHNICAL RESERVE FOR INSURANCE OPERATIONS (continued)

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

	<u>31 March</u> <u>2014</u> (Unaudited) SR'000	<u>31 December</u> <u>2013</u> (Audited) SR'000
Balance as at the beginning of the period	617,660	485,169
Change in reserve	500	49
Unrealized gain on investment (note 4)	1,330	40,746
Investible contribution, net	25,661	92,119
Others	-	(423)
	<u>645,151</u>	<u>617,660</u>
Balance as at the end of the period	<u>645,151</u>	<u>617,660</u>

7 CHANGE IN NET OUTSTANDING CLAIMS PROVISION

	<u>Three-month period ended 31</u> <u>March</u>	
	<u>2014</u> (Unaudited) SR'000	<u>2013</u> (Unaudited) SR'000
Change in outstanding claims – Gross	(5,851)	-
Change in outstanding claims – Reinsurance	4,681	-
Change in Incurred But Not Reported claims (IBNR)	(500)	28
	<u>(1,670)</u>	<u>28</u>
Movement in outstanding claims provision	<u>(1,670)</u>	<u>28</u>

8 RELATED PARTY TRANSACTIONS AND BALANCES

Insurance Operations

a) Following are the details of major related party transactions during the three-month period ended 31 March 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	56,127	8,862
Shareholder	Acquisition fee paid for distributing the products (see note 8(d))	1,121	-
Shareholders	Entrance fee (note 1 and 8(d))	570	893
Shareholders	Administration fee (note 1 and 8(d))	2,121	1,651
Shareholder	Investment Fund fee	1,152	945
Shareholder	Service charges (note 1)	900	-
Key management personnel	Short- term benefits	710	1,065
Key management personnel	End of service benefits	37	44

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2014

8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	<u>31 March</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	13,990	463
Payable to Technical Shareholder	(681)	(71)
Payable to Distributing Shareholder	(41)	-
Accrued investment fund fee receivable from subsidiary of a Shareholder	436	436

(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 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.

Shareholders' Operations

a) Following are the details of Board of Directors' remuneration and related expenses during the three-month period ended 31 March 2014:

	<u>Amount of transactions</u> <u>2014</u> (Unaudited) SR'000	<u>2013</u> (Unaudited) SR'000
Board remuneration	225	287
Board attendance fees	11	13
Board accommodation and travel	5	16

(b) Payable to Board of Directors

	<u>31 March</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	652	596

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.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2014

9 OPERATING SEGMENT INFORMATION (continued)

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.

	<i>Three-month period ended 31 March 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	31,871	4,374	51,753	87,998
Investible contribution, net	(23,560)	(381)	(1,720)	(25,661)
Net Insurance contributions	8,311	3,993	50,033	62,337
Reinsurance ceded	(1,210)	(1,677)	(30,727)	(33,614)
Net written contributions	7,101	2,316	19,306	28,723
Change in net unearned contribution	-	(2,023)	(11,514)	(13,537)
Net insurance revenue	7,101	293	7,792	15,186
CLAIMS AND EXPENSES				
Gross claims paid	(299)	-	(1,684)	(1,983)
Reinsurance share of claims paid	269	-	1,516	1,785
Net claims paid	(30)	-	(168)	(198)
Change in outstanding claims provision	-	(11)	(1,659)	(1,670)
Net claims incurred	(30)	(11)	(1,827)	(1,868)
Acquisition fee paid to Distributing Shareholder	(1,121)	-	-	(1,121)
Entrance fee paid to the Technical and Distributing Shareholders	(570)	-	-	(570)
Administration fee paid to the Distributing Shareholder	(2,121)	-	-	(2,121)
Supervision and inspection fee	(260)	(22)	(259)	(541)
Other direct underwriting expenses	(74)	-	-	(74)
Service charges paid to Technical Shareholder	(900)	-	-	(900)
Total claims and expenses	(5,076)	(33)	(2,086)	(7,195)
Underwriting surplus for the period	2,025	260	5,706	7,991
Unallocated amounts:				
- Investment fund fee				1,152
- General and administration expenses				(2,325)
Surplus for the period from Insurance Operations				6,818

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2014

9 OPERATING SEGMENT INFORMATION (continued)

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

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2014

9 OPERATING SEGMENT INFORMATION (continued)

	<i>As at 31 March 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	34,184	2,541	34,687	71,412
Trading investments held to cover unit-linked liabilities	635,590	-	-	635,590
Contribution receivable from a related party	-	57	13,933	13,990
Accrued income	436	-	-	436
Reinsurance share of outstanding claims	-	-	4,681	4,681
Reinsurance share of unearned contribution	-	1,257	17,259	18,516
	<u>670,210</u>	<u>3,855</u>	<u>70,560</u>	<u>744,625</u>
Unallocated amounts:				
- Prepayments and other receivables				1,053
- Furniture, fittings and office equipment				754
Total Insurance Operations' assets				<u><u>746,432</u></u>
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS				
Insurance Operations' liabilities				
Technical reserve for Insurance Operations	642,187	495	2,469	645,151
Unearned contribution – gross	-	3,281	29,159	32,440
Outstanding claims – gross	324	-	5,851	6,175
Reinsurance balances payable	5,203	2,072	35,711	42,986
Due to a related parties	722	-	-	722
Contributions received in advance	1,356	-	-	1,356
Accruals and other payables	7,769	-	2,056	9,825
	<u>657,561</u>	<u>5,848</u>	<u>75,246</u>	<u>738,655</u>
Unallocated amounts:				
- Due to Shareholders Operations				5,217
- Employees' end of service benefits				709
Total Insurance Operations' liabilities				<u>744,581</u>
Surplus from Insurance Operations				<u>1,851</u>
Total Insurance Operations' liabilities and surplus				<u><u>746,432</u></u>

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 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><u>645,472</u></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 31 March 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 31 March 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 31 March 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 20 Jumada Al Thani 435H, corresponding to 20 April 2014.