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

**UNAUDITED INTERIM CONDENSED  
FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED  
31 MARCH 2016**

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2016**

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<b>INDEX</b>	<b>PAGE</b>
Independent Auditors' Review Report	1
Interim Statement of Financial Position	2 – 3
Interim Statement of Insurance Operations and Accumulated Surplus	4
Interim Statement of Shareholders' Operations	5
Interim Statement of Comprehensive Income	6
Interim Statement of Changes in Shareholders' Equity	7
Interim Statement of Insurance Operations' Cash Flows	8
Interim Statement of Shareholders' Cash Flows	9
Notes to the Interim Condensed Financial Statements	10 – 25



**KPMG Al Fozan & Partners**

**Certified Public Accountants**

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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 2016, and the related interim statements of insurance operations and accumulated surplus, shareholders' operations, shareholders' 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 15 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**

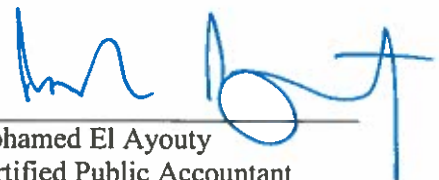
We draw attention to the fact that these interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.

**for KPMG Al Fozan & Partners  
Certified Public Accountants**



**Ebrahim Oboud Baeshen  
Certified Public Accountant  
Licence No. 382**

**for El Sayed El Ayouy & Co.**



**Mohamed El Ayouy  
Certified Public Accountant  
Licence No. 211**



Jeddah, Kingdom of Saudi Arabia  
10 Rajab 1437H  
Corresponding to 17 April 2016



**ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY**  
**INTERIM STATEMENT OF FINANCIAL POSITION**  
As at 31 March 2016

		<b>31 March 2016 (Unaudited) SR'000</b>	<b>31 December 2015 (Audited) SR'000</b>
	<i>Notes</i>		
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	4	6,856	38,821
Unit-linked investments	5	777,993	778,665
FVIS investments	6	70,375	70,034
Contribution receivable	11(b)	54,586	3,024
Accrued income	11(b)	481	487
Reinsurance share of outstanding claims		25,519	12,120
Reinsurance balances receivable		2,122	176
Reinsurance share of unearned contribution		18,463	100
Prepayments and other receivables		1,707	605
Furniture, fittings and office equipment		8,391	7,447
<b>Total Insurance Operations' Assets</b>		<b>966,493</b>	<b>911,479</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	4	308	1,308
FVIS investments	6	165,102	164,450
Available for sale investments	7	13,522	14,144
Due from Insurance Operations		20,937	13,006
Prepayments and other receivables		4,352	4,066
Return on investment of statutory deposit		478	411
Statutory deposit		16,667	16,667
<b>Total Shareholders' Assets</b>		<b>221,366</b>	<b>214,052</b>
<b>TOTAL ASSETS</b>		<b>1,187,859</b>	<b>1,125,531</b>

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 15 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 31 March 2016

		31 March 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
	<i>Notes</i>		
<b>INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>			
<b>Insurance Operations' Liabilities</b>			
Technical reserve for Insurance Operations	9	782,006	798,125
Unearned contribution - gross		28,564	174
Outstanding claims - gross		28,984	14,417
Reinsurance balances payable		78,645	55,033
Due to related parties	11(b)	2,155	2,061
Due to Shareholders' Operations		20,937	13,006
Contributions received in advance		660	656
Accruals and other payables		12,942	17,422
Employees' end of service benefits		1,383	1,280
<b>Total Insurance Operations' Liabilities</b>		<b>956,276</b>	<b>902,174</b>
<b>Insurance Operations' Surplus</b>			
Surplus from Insurance Operations		10,217	9,305
<b>Total Insurance Operations' Liabilities and Surplus</b>		<b>966,493</b>	<b>911,479</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>Shareholders' Liabilities</b>			
Accruals and other payables		3,895	3,677
Accrued Zakat and income tax	8	17,111	15,799
Accrued return on investment of statutory deposit		478	411
<b>Total Shareholders' Liabilities</b>		<b>21,484</b>	<b>19,887</b>
<b>Shareholders' Equity</b>			
Share capital		166,667	166,667
Statutory reserve		13,238	11,970
Retained earnings		21,455	16,384
Cumulative changes in fair value of available for sale investments		(1,478)	(856)
<b>Total Shareholders' Equity</b>		<b>199,882</b>	<b>194,165</b>
<b>Total Shareholders' Liabilities and Equity</b>		<b>221,366</b>	<b>214,052</b>
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES, SURPLUS, SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
		<b>1,187,859</b>	<b>1,125,531</b>

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 15 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 SURPLS (UNAUDITED)**  
For the three-month period ended 31 March 2016

	<i>Notes</i>	<i>Three-month period ended 31 March</i>	
		<i>2016 SR'000</i>	<i>2015 SR'000</i>
<b>INSURANCE REVENUE</b>			
Gross contributions		116,326	112,282
Investible contribution		(51,699)	(49,617)
Net insurance contributions		64,627	62,665
Reinsurance ceded		(36,603)	(37,748)
Net written contributions		28,024	24,917
Change in net unearned contribution		(10,027)	(7,337)
<b>Net insurance revenue</b>		<b>17,997</b>	<b>17,580</b>
<b>CLAIMS AND EXPENSES</b>			
Gross claims paid		(16,551)	(20,512)
Reinsurance share of claims paid		14,628	16,803
Net claims paid		(1,923)	(3,709)
Change in net outstanding claims and technical reserve	10	(1,178)	419
<b>Net claims incurred</b>		<b>(3,101)</b>	<b>(3,290)</b>
Policy related fees and other expenses		(2,414)	(2,665)
Supervision and inspection fee		(581)	(552)
<b>Total claims and expenses</b>		<b>(6,096)</b>	<b>(6,507)</b>
<b>Underwriting surplus for the period</b>		<b>11,901</b>	<b>11,073</b>
Investment fund fee	11(a)	1,524	1,311
General and administration expenses		(4,651)	(3,231)
Other income		341	6,838
<b>Surplus for the period from Insurance Operations</b>		<b>9,115</b>	<b>15,991</b>
Shareholders' share of surplus from Insurance Operations	2(b)	(8,203)	(14,392)
<b>Policyholders' share of surplus for the period</b>		<b>912</b>	<b>1,599</b>
<b>Accumulated policyholders' surplus at the beginning of the period</b>		<b>9,305</b>	<b>4,960</b>
<b>ACCUMULATED POLICYHOLDERS' SURPLUS AT THE END OF THE PERIOD</b>		<b>10,217</b>	<b>6,559</b>

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 15 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 period ended 31 March 2016

	<i>Notes</i>	<i>Three-month period ended</i>	
		<i>31 March</i>	
		<u>2016</u>	<u>2015</u>
		<i>SR'000</i>	<i>SR'000</i>
Shareholders' share of surplus from Insurance Operations	2(b)	8,203	14,392
Unrealised gain on FVIS investments	6	652	505
Other income		131	-
<b>Total income</b>		<b>8,986</b>	<b>14,897</b>
General and administration expenses		(1,335)	(990)
<b>NET INCOME FOR THE PERIOD</b>		<b>7,651</b>	<b>13,907</b>
Weighted average number of ordinary shares outstanding (in thousands)	14	16,667	16,667
Earnings per share for the period (SR)	14	0.46	0.83

Director

Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.

**ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY**  
**INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE**  
**INCOME (UNAUDITED)**

For the three-month period ended 31 March 2016

	<i>Three-month period ended 31 March</i>	
	<u>2016</u> <u>SR'000</u>	<u>2015</u> <u>SR'000</u>
<b>NET INCOME FOR THE PERIOD</b>	<b>7,651</b>	<b>13,907</b>
<b>Other comprehensive income:</b>		
<i>Items that will never be reclassified to statement of shareholders' operations</i>		
Zakat and income tax for the period	(1,312)	(1,592)
<i>Items that may be reclassified to statement of shareholders' operations</i>		
<i>Net change in fair value of available for sale investments (note 7)</i>	(622)	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>5,717</b>	<b>12,315</b>

  
 \_\_\_\_\_  
 Director

  
 \_\_\_\_\_  
 Chief Financial Officer

  
 \_\_\_\_\_  
 Chief Executive Officer

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.



**ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY**  
**INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
For the three-month period ended 31 March 2016

<i>For the three-month period ended 31 March 2016</i>					
	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Cumulative changes in fair value of available for sale investments</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
Balance as at 31 December 2015 (audited)	166,667	11,970	16,384	(856)	194,165
Net income for the three-month period	-	-	7,651	-	7,651
<i>Other comprehensive income:</i> Net change in fair value of available for sale investments	-	-	-	(622)	(622)
Zakat and income tax for the three-month period (note 8)	-	-	(1,312)	-	(1,312)
Transfer to statutory reserve	-	1,268	(1,268)	-	-
<b>Balance at 31 March 2016 (unaudited)</b>	<b>166,667</b>	<b>13,238</b>	<b>21,455</b>	<b>(1,478)</b>	<b>199,882</b>

<i>For the three-month period ended 31 March 2015</i>				
	<i>Share capital</i>	<i>Statutory reserve</i>	<i>(Accumulated losses)/Retained earnings</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
Balance as at 31 December 2014 (audited)	166,667	7,874	(8,990)	165,551
Net income for the three-month period	-	-	13,907	13,907
<i>Other comprehensive income:</i> Zakat and income tax for the three-month period	-	-	(1,592)	(1,592)
Transfer to statutory reserve	-	665	(665)	-
<b>Balance at 31 March 2015 (unaudited)</b>	<b>166,667</b>	<b>8,539</b>	<b>2,660</b>	<b>177,866</b>

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 15 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 three-month period ended 31 March 2016

	<i>Three-month period ended 31 March</i>	
	<u>2016</u> <i>SR'000</i>	<u>2015</u> <i>SR'000</i>
<b>OPERATING ACTIVITIES</b>		
Policyholders' share of surplus for the period after shareholders' share	912	1,599
Adjustment for the period:		
Depreciation	430	70
Employees' end of service benefits, net	103	85
Reinsurance share of unearned contribution	(18,363)	(17,180)
Unearned contribution – gross	28,390	24,517
Unrealised gain on remeasurement of FVIS investments	(341)	-
	<u>11,131</u>	<u>9,091</u>
Changes in operating assets and liabilities:		
Unit-linked investments	-	(34,501)
Contribution receivable	(51,562)	(42,052)
Reinsurance balances receivable	(1,946)	(7,158)
Accrued income	6	(8)
Prepayments and other receivables	(1,102)	(1,170)
Reinsurance share of outstanding claims	(13,399)	(3,498)
Technical reserve for Insurance Operations	(15,447)	30,678
Outstanding claims – gross	14,567	3,900
Reinsurance balances payable	23,612	27,766
Due to Shareholders' Operations	7,931	13,269
Due to related parties	94	(6,336)
Contributions received in advance	4	510
Accruals and other payables	(4,480)	(3,367)
	<u>(30,591)</u>	<u>(12,876)</u>
Net cash used in operating activities		
<b>INVESTING ACTIVITY</b>		
Purchase of furniture, fittings and office equipment	(1,374)	(3,106)
	<u>(31,965)</u>	<u>(15,982)</u>
Net decrease in cash and cash equivalents		
<b>Cash and cash equivalents at the beginning of the period</b>	<u>38,821</u>	<u>102,711</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u><u>6,856</u></u>	<u><u>86,729</u></u>

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.

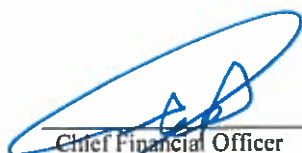
**ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY**  
**INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS**  
**(UNAUDITED)**

For the three-month period ended 31 March 2016

	<i>Three-month period ended 31 March</i>	
	<i>2016</i>	<i>2015</i>
	<i>SR'000</i>	<i>SR'000</i>
<b>OPERATING ACTIVITIES</b>		
Net income for the period	7,651	13,907
Adjustments for the period:		
Unrealised gain on remeasurement of FVIS investments	(652)	(505)
	<u>6,999</u>	<u>13,402</u>
Changes in operating assets and liabilities:		
Prepayments and other receivables	(286)	(179)
Return on investment of statutory deposit	(67)	(16)
Due from Insurance Operations	(7,931)	(13,269)
Accruals and other payables	218	(6)
Accrued return on investment of statutory deposit	67	16
	<u>(1,000)</u>	<u>(52)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,000)</b>	<b>(52)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,308</b>	<b>106</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>308</b>	<b>54</b>



Director



Chief Financial Officer



Chief Executive Officer

The accompanying notes 1 to 15 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

As at 31 March 2016

### 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 2016, the Company is owned 71.15% by Saudi founding shareholders and general public and 28.85% by non-Saudi founding shareholders.

The Company signed an agency agreement with AlAhli Insurance Marketing Services Company Limited (the “Agency”), a subsidiary of the National Commercial Bank (NCB), a major shareholder, on 19 March 2015 for the purpose of marketing and sale of the Company's products through distribution channels of NCB for a period of 10 years. This Agreement supersedes the previous distribution agreement signed with NCB. Under this arrangement, the Agency is entitled to a fixed amount on each policy issued as commission in case of retail products of the Company. The agreement is effective from 1 July 2014. Accordingly, excess of fees accrued under previous distribution agreement over the fees payable under the agency agreement for six month period ended 31 December 2014 amounting to SR 6.84 million has been reversed and recorded as other income in these interim condensed financial statements.

### 2 BASIS OF PREPARATION

#### *a) Basis of measurement*

The interim condensed financial statements are prepared on historical cost basis except for the measurement of Unit Linked Investments, Fair Value through Income Statements (FVIS) investments and Available For Sale (AFS) investments at their fair values.

#### *b) Statement of compliance*

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.

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

As at 31 March 2016

### 2 BASIS OF PREPARATION (continued)

#### b) *Statement of compliance (continued)*

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

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

If the insurance operations results in a deficit, the entire deficit is borne by the Shareholders' Operations. The Company presents its interim statement of financial position in order of liquidity. Except for statutory deposit all other financial assets and liabilities are expected to be recovered and settled respectively, within twelve months after the reporting date.

#### c) *Functional and presentation currency*

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.

#### d) *Judgement and estimates*

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.

### 3 SIGNIFICANT ACCOUNTING POLICIES

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 2015 and new amended IFRS and International Financial Reporting Interpretations Committee Interpretations (IFRIC) as mentioned in note 3(a) which had no impact on the financial position or financial performance of the Company. Certain comparative amounts have been reclassified / regrouped to conform with the current period's presentation.

# ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2016

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### a) 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):

<u>Standard / Amendments</u>	<u>Description</u>
IAS 16 IAS 38	Amendments to IAS 16 – “Property, Plant and Equipment” and IAS 38 – “Intangible Assets”, applicable for the annual periods beginning on or after 1 January 2016, restricts the use of ratio of revenue generated to total revenue expected to be generated to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.
IAS 16 IAS 41 IAS 20	Amendments to IAS 16 – “Property, Plant and Equipment” and IAS 41 – “Agriculture”, applicable for the annual periods beginning on or after 1 January 2016, change the scope of IAS 16 to include biological assets that meet the definition of bearer plants. Agricultural produce growing on bearer plants will remain within the scope of IAS 41. In addition, government grants relating to bearer plants will be accounted for in accordance with IAS 20 – “Accounting for Government Grants and Disclosure of Government Assistance”, instead of IAS 41.
IAS 27	Amendments to IAS 27 – “Separate Financial Statements”, applicable for the annual periods beginning on or after 1 January 2016, allows an entity to use the equity method as described in IAS 28 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements
IFRS 5	Amendments to IFRS 5 – “Non-current Assets Held for Sale and Discontinued Operations”, applicable for the annual periods beginning on or after 1 January 2016, amended to clarify that changing from one disposal method to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5.
IFRS 7	Amendments to IFRS 7 – “Financial Instruments: Disclosures”, applicable for the annual periods beginning on or after 1 January 2016, has been amended to clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. The nature of the fee and the arrangement should be assessed in order to consider whether the disclosures are required under IFRS 7 and the assessment must be done retrospectively. IFRS 7 has been further amended to clarify that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.
IAS 19	Amendments to IAS 19 – “Employee Benefits”, applicable for the annual periods beginning on or after 1 January 2016, clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
IAS 34	Amendments to IAS 34 – “Interim Financial Reporting”, applicable for the annual periods beginning on or after 1 January 2016, clarifies that the required interim disclosures must be either in the interim financial statements or incorporated by cross-referencing to the interim financial report (e.g., in the management commentary or risk report). However, the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

# ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2016

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### a) New IFRS, IFRIC and amendments thereof, adopted by the Company (continued)

<u>Standard / Amendments</u>	<u>Description</u>
IFRS 14	IFRS 14 – “Regulatory Deferral Accounts”, applicable for the annual periods beginning on or after 1 January 2016, allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first time adoption of IFRS. The standard does not apply to existing IFRS preparers. Also, an entity whose current GAAP does not allow the recognition of rate-regulated assets and liabilities, or that has not adopted such policy under its current GAAP, would not be allowed to recognise them on first-time application of IFRS.
IFRS 10 IFRS 11 IFRS 12 IAS 28	Amendments to IFRS 10 – “Consolidated Financial Statements”, IFRS 12 – “Disclosure of Interests in Other Entities” and IAS 28 – “Investments in Associates”, applicable for the annual periods beginning on or after 1 January 2016, address three issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures its subsidiaries at fair value. Furthermore, only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. Amendments to IFRS 11 – “Joint Arrangements”, applicable for the annual periods beginning on or after 1 January 2016, require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS 3 – “Business Combinations” and other IFRSs that do not conflict with the requirements of IFRS 11 Joint Arrangements. Furthermore, entities are required to disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by one of the parties to the joint operation on its formation. Furthermore, the amendments clarify that, for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held interests in the joint operation must not be remeasured if the joint operator retains joint control.
IAS 1	<p>Amendments to IAS 1 – “Presentation of Financial Statements”, applicable for the annual periods beginning on or after 1 January 2016, clarify, existing IAS 1 requirements in relation to;</p> <ul style="list-style-type: none"> <li>• The materiality requirements in IAS 1</li> <li>• That specific line items in the statement(s) of profit or loss and other comprehensive income (“OCI”) and the statement of financial position may be disaggregated</li> <li>• That entities have flexibility as to the order in which they present the notes to financial statements</li> <li>• That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.</li> </ul> <p>The amendments further clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.</p>

# ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2016

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### b) 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 from periods beginning on or after the following date</u>
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IAS 12	Amendments to IAS 12 Recognition of deferred tax assets for unrealized losses	1 January 2017

### 4 CASH AND CASH EQUIVALENTS

	<u>31 March 2016 (Unaudited) SR'000</u>	<u>31 December 2015 (Audited) SR'000</u>
<b>Insurance Operations</b>		
Cash in hand	4	4
Cash at bank (see note 4.1)	6,852	38,817
	<u>6,856</u>	<u>38,821</u>
<b>Shareholders' Operations</b>		
Cash at bank (see note 4.1)	308	1,308
	<u>308</u>	<u>1,308</u>

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

### 5 UNIT-LINKED INVESTMENTS

#### Insurance Operations

Unit-linked investments comprise units of fund of funds, denominated in United States Dollars, which are managed by a subsidiary of the Company's major shareholder.

	<u>31 March 2016 (Unaudited) SR'000</u>	<u>31 December 2015 (Audited) SR'000</u>
<b>Investment held to cover unit-linked liabilities:</b>		
Al Manarah Conservative Growth Strategy	463,005	462,769
Al Manarah Medium Growth Strategy	182,604	182,997
Al Manarah High Growth Strategy	132,384	132,899
	<u>777,993</u>	<u>778,665</u>



# ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2016

### 5 UNIT-LINKED INVESTMENTS (continued)

The movement in unit-linked investments during the three-month period ended 31 March 2016 and year ended 31 December 2015 is as follows:

	<i>31 March</i> <u>2016</u> <i>(Unaudited)</i> SR'000	<i>31 December</i> <u>2015</u> <i>(Audited)</i> SR'000
<i>Insurance Operations</i>		
Balance at the beginning of the period/year	778,665	703,574
Purchased during the period/year	-	90,501
Unrealised loss during the period/year (note 9(b))	(672)	(15,410)
<b>Balance at the end of the period/year</b>	<b><u>777,993</u></b>	<b><u>778,665</u></b>

### 6 FVIS INVESTMENTS

#### *Insurance Operations*

FVIS investments of Insurance Operations represent investments in AlAhli Saudi Riyal Trade fund (a quoted income fund), managed by a subsidiary of the Company's major shareholder. This investment is designated as FVIS investment upon initial recognition because it is managed on fair value basis and its performance is actively monitored.

	<i>31 March</i> <u>2016</u> <i>(Unaudited)</i> SR'000	<i>31 December</i> <u>2015</u> <i>(Audited)</i> SR'000
AlAhli Saudi Riyal Trade fund	<u>70,375</u>	<u>70,034</u>

#### *Shareholders' Operations*

	<i>31 March</i> <u>2016</u> <i>(Unaudited)</i> SR'000	<i>31 December</i> <u>2015</u> <i>(Audited)</i> SR'000
AlAhli Takaful discretionary portfolio	157,602	156,950
Investment in a real estate fund	7,500	7,500
	<u>165,102</u>	<u>164,450</u>

AlAhli Takaful discretionary portfolio is managed by a subsidiary of the Company's major shareholder. Discretionary portfolio is invested in securities issued by financial institutions, government entities, and mutual funds which are denominated in Saudi Arabian Riyals and US Dollars.

# ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2016

### 6 FVIS INVESTMENTS (continued)

The movement in the FVIS investments during the three-month period ended 31 March 2016 and year ended 31 December 2015 is as follows:

	<i>31 March</i> <u><i>2016</i></u> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December</i> <u><i>2015</i></u> <i>(Audited)</i> <i>SR'000</i>
<b><i>Insurance Operations</i></b>		
Balance at the beginning of the period/year	70,034	-
Purchased during the period/year	-	70,000
Unrealized gain during the period/year	341	34
<b>Balance at the end of the period/year</b>	<u><u>70,375</u></u>	<u><u>70,034</u></u>

	<i>31 March</i> <u><i>2016</i></u> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December</i> <u><i>2015</i></u> <i>(Audited)</i> <i>SR'000</i>
<b><i>Shareholders' Operations</i></b>		
Balance at the beginning of the period/year	164,450	130,776
Purchased during the period/year	-	32,500
Unrealized gain during the period/year	652	1,174
<b>Balance at the end of the period/year</b>	<u><u>165,102</u></u>	<u><u>164,450</u></u>

### 7 AVAILABLE FOR SALE INVESTMENTS

	<i>31 March</i> <u><i>2016</i></u> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December</i> <u><i>2015</i></u> <i>(Audited)</i> <i>SR'000</i>
<b><i>Shareholders' Operations</i></b>		
Balance at the beginning of the period/year	14,144	-
Purchased during the period/year	-	15,000
Unrealised loss during the period/year	(622)	(856)
<b>Balance at the end of the period/year</b>	<u><u>13,522</u></u>	<u><u>14,144</u></u>

Available for sale investment comprise of investment in shares of certain listed companies.

# ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2016

### 8 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 2016 and year ended 31 December 2015 is as follows:

	<i>31 March</i> <i>2016</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December</i> <i>2015</i> <i>(Audited)</i> <i>SR'000</i>
Balance at the beginning of the period/year	15,799	12,718
Charge for the period/year	1,312	4,934
Zakat and income tax paid	-	(1,853)
<b>Balance at the end of the period/year</b>	<b>17,111</b>	<b>15,799</b>

#### 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 2014.

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 thousand. The Company filed an appeal against additional Zakat of SR 3,921 thousand and paid additional withholding tax of SR 76 thousand and a delay penalty of SR 26 thousand under protest, and is confident of a favourable outcome. 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 a bank guarantee for the amount under dispute.

Assessments for the years 2010 to 2014 have not yet been raised by the DZIT. However, the DZIT issued initial assessments for the years 2010 through 2014, disallowing investments from the Zakat base with additional Zakat liability of SR 1,051 thousand, SR 1,000 thousand, SR 2,312 thousand, SR 2,585 thousand and SR 2,623 thousand respectively. The Company filed an appeal against the initial assessments and is confident of a favourable outcome.

### 9 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</i> <i>2016</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December</i> <i>2015</i> <i>(Audited)</i> <i>SR'000</i>
Technical reserve relating to the Participant Investment Strategies (unit liability)	771,498	787,627
Allowance for the retained risk	4,412	5,535
Incurred But Not Reported (IBNR) reserves	6,096	4,963
	<b>782,006</b>	<b>798,125</b>

**ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
As at 31 March 2016

**9 TECHNICAL RESERVE FOR INSURANCE OPERATIONS (continued)**

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

	<i>31 March 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
Balance as at the beginning of the period/year	798,125	730,726
Change in Incurred But Not Reported claims (IBNR) reserve	1,133	2,389
Change in allowance for the retained risk	(1,123)	2,031
Unrealized loss on unit-linked investments (note 5)	(672)	(15,410)
Investible contribution	51,699	208,303
Surrenders and maturities	(67,156)	(129,362)
Others	-	(552)
<b>Balance as at the end of the period/year</b>	<b>782,006</b>	<b>798,125</b>

**10 CHANGE IN NET OUTSTANDING CLAIMS AND TECHNICAL RESERVE**

	<i>31 March 2016 (Unaudited) SR'000</i>	<i>31 March 2015 (Unaudited) SR'000</i>
Change in outstanding claims – Gross	14,567	3,900
Change in outstanding claims – reinsurance	(13,399)	(3,498)
Change in Incurred But Not Reported claims (IBNR)	1,133	977
Change in allowance for the retained risk	(1,123)	(1,798)
<b>Movement in net outstanding claims provision</b>	<b>1,178</b>	<b>(419)</b>

# ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2016

### 11 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 2016 and 2015:

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transactions</u>	
			<u>2016</u> (Unaudited) SR'000	<u>2015</u> (Unaudited) SR'000
Insurance Operations				
National Commercial Bank	Shareholder	Gross Group Insurance contribution	53,886	48,101
AlAhli Insurance Marketing Services Company Limited	Subsidiary of a shareholder	Agency commission and others (note 1(a))	576	720
FWU	Shareholder	Administration fee	779	862
		Service charges	900	900
NCB Capital	Subsidiary of a shareholder	Investment fund fee	1,524	1,311
Key management personnel		Short-term benefits	932	837
		End of service benefits	44	42

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

	<u>31 March</u> <u>2016</u> (Unaudited) SR'000	<u>31 December</u> <u>2015</u> (Audited) SR'000
Receivable from National Commercial Bank - a shareholder - net	54,586	3,024
Payable to FWU – a shareholder	(345)	(302)
Payable to AlAhli Insurance Marketing Services Company Limited - subsidiary of a shareholder	(1,810)	(1,759)
	(2,155)	(2,061)
Accrued investment fund fee receivable from subsidiary of a Shareholder	481	487
Outstanding claims from National Commercial Bank - a shareholder - gross	(25,265)	(10,315)

- c) In addition to the disclosures set out in note 1, 4, 5 and 6 relating to related parties, amount due from and due to related parties are shown in the Interim Statement of Financial Position.

**ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
As at 31 March 2016

**11 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

*Shareholders' Operations*

- a) Following are the details of Board of Directors' and members of other committees remuneration and related expenses during the three-month period ended 31 March 2016 and 2015:

	<i>Amount of transactions</i>	
	<u>2016</u> (Unaudited) SR'000	<u>2015</u> (Unaudited) SR'000
Board and other committees remuneration	383	412
Board and other committees attendance fees	42	27
Board accommodation and travel	126	-

- b) Payable to Board of Directors and members of other committees

	<u>31 March</u> <u>2016</u> (Unaudited) SR'000	<u>31 December</u> <u>2015</u> (Audited) SR'000
Remuneration and other expenses payable to Board and other committees	2,197	2,204

**12 OPERATING SEGMENT INFORMATION**

Operating segments are reported in manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Chief Executive Officer that makes strategic decisions. 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. 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**  
As at 31 March 2016

**12 OPERATING SEGMENT INFORMATION (continued)**

	<i>Three-month period ended 31 March 2016 (unaudited)</i>			
	<i>Insurance - individual SR '000</i>	<i>Insurance- group life SR '000</i>	<i>Insurance group credit protection SR '000</i>	<i>Total SR '000</i>
<b>INSURANCE REVENUE</b>				
Gross contributions	62,437	6,707	47,182	116,326
Investible contribution	(51,699)	-	-	(51,699)
Net insurance contributions	10,738	6,707	47,182	64,627
Reinsurance ceded	(1,343)	(3,784)	(31,476)	(36,603)
Net written contributions	9,395	2,923	15,706	28,024
Change in net unearned contribution	-	(2,024)	(8,003)	(10,027)
<b>Net insurance revenue</b>	<b>9,395</b>	<b>899</b>	<b>7,703</b>	<b>17,997</b>
<b>CLAIMS AND EXPENSES</b>				
Gross claims paid	(41)	(1,250)	(15,260)	(16,551)
Reinsurance share of claims paid	36	1,000	13,592	14,628
Net claims paid	(5)	(250)	(1,668)	(1,923)
Change in outstanding claims and technical reserve	231	306	(1,715)	(1,178)
Net claims incurred	226	56	(3,383)	(3,101)
Policy related fees and other expenses	(2,414)	-	-	(2,414)
Supervision and inspection fee	(312)	(33)	(236)	(581)
<b>Total claims and expenses</b>	<b>(2,500)</b>	<b>23</b>	<b>(3,619)</b>	<b>(6,096)</b>
<b>Underwriting surplus for the period</b>	<b>6,895</b>	<b>922</b>	<b>4,084</b>	<b>11,901</b>
Investment fund fee	1,524	-	-	1,524
Other income	-	-	341	341
	8,419	922	4,425	13,766
<b>Unallocated amounts:</b>				
- General and administration expenses				(4,651)
<b>Surplus for the period from Insurance Operations</b>				<b>9,115</b>

**ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
As at 31 March 2016

**12 OPERATING SEGMENT INFORMATION (continued)**

	<i>Three-month period ended 31 March 2015 (unaudited)</i>			
	<i>Insurance – individual SR '000</i>	<i>Insurance- group life SR '000</i>	<i>Insurance group credit protection SR '000</i>	<i>Total SR '000</i>
<b>INSURANCE REVENUE</b>				
Gross contributions	61,041	3,988	47,253	112,282
Investible contribution, net	(49,617)	-	-	(49,617)
Net insurance contributions	11,424	3,988	47,253	62,665
Reinsurance ceded	(1,401)	(1,711)	(34,636)	(37,748)
Net written contributions	10,023	2,277	12,617	24,917
Change in net unearned contribution	-	(1,702)	(5,635)	(7,337)
Net insurance revenue	10,023	575	6,982	17,580
<b>CLAIMS AND EXPENSES</b>				
Gross claims paid	(139)	(1,950)	(18,423)	(20,512)
Reinsurance share of claims paid	125	1,560	15,118	16,803
Net claims paid	(14)	(390)	(3,305)	(3,709)
Change in outstanding claims and technical reserve	(201)	260	360	419
Net claims incurred	(215)	(130)	(2,945)	(3,290)
Policy related fees and other expenses	(2,607)	-	(58)	(2,665)
Supervision and inspection fee	(305)	(11)	(236)	(552)
Total claims and expenses	(3,127)	(141)	(3,239)	(6,507)
Underwriting surplus for the period	6,896	434	3,743	11,073
Investment fund fee	1,311	-	-	1,311
Other income	6,838	-	-	6,838
	15,045	434	3,743	19,222
Unallocated amounts:				
- General and administration expenses				(3,231)
Surplus for the period from Insurance Operations				15,991



ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY  
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
 As at 31 March 2016

12 OPERATING SEGMENT INFORMATION (continued)

	As at 31 March 2016 (unaudited)			
	Insurance - individual SR '000	Insurance- group life SR '000	Insurance group credit protection SR '000	Total SR '000
<b>INSURANCE OPERATIONS' ASSETS</b>				
Cash and cash equivalents	4,147	531	2,178	6,856
Unit-linked investments	777,993	-	-	777,993
FVIS investments	38,706	-	31,669	70,375
Contribution receivable	-	6,622	47,964	54,586
Accrued income	481	-	-	481
Reinsurance share of outstanding claims	663	1,749	23,107	25,519
Reinsurance balances receivable	-	-	2,122	2,122
Reinsurance share of unearned contribution	-	3,023	15,440	18,463
	<u>821,990</u>	<u>11,925</u>	<u>122,480</u>	<u>956,395</u>
<b>Unallocated amounts:</b>				
- Prepayments and other receivables				1,707
- Furniture, fittings and office equipment				8,391
<b>Total Insurance Operations' Assets</b>				<u><u>966,493</u></u>
<b>INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>				
<b>Insurance Operations' Liabilities</b>				
Technical reserve for Insurance Operations	773,190	191	8,625	782,006
Unearned contribution – gross	-	5,120	23,444	28,564
Outstanding claims – gross	737	2,187	26,060	28,984
Reinsurance balances payable	10,106	3,611	64,928	78,645
Due to related parties	2,155	-	-	2,155
Contributions received in advance	660	-	-	660
Accruals and other payables	12,673	33	236	12,942
	<u>799,521</u>	<u>11,142</u>	<u>123,293</u>	<u>933,956</u>
<b>Unallocated amounts:</b>				
- Due to Shareholders Operations				20,937
- Employees' end of service benefits				1,383
<b>Total Insurance Operations' Liabilities</b>				<u>956,276</u>
<b>Surplus from Insurance Operations</b>				<u>10,217</u>
<b>Total Insurance Operations' Liabilities and Surplus</b>				<u><u>966,493</u></u>

**ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

As at 31 March 2016

**12 OPERATING SEGMENT INFORMATION (continued)**

	<i>As at 31 December 2015 (audited)</i>			
	<i>Insurance - individual SR '000</i>	<i>Insurance- group SR '000</i>	<i>Insurance- group credit protection SR '000</i>	<i>Total SR '000</i>
<b>INSURANCE OPERATIONS' ASSETS</b>				
Cash and cash equivalents	18,432	485	19,904	38,821
Unit-linked investments	778,665	-	-	778,665
FVIS investments	38,500	-	31,534	70,034
Contribution receivable	-	10	3,014	3,024
Accrued income	487	-	-	487
Reinsurance share of outstanding claim	794	2,680	8,646	12,120
Reinsurance balances receivable	-	-	176	176
Reinsurance share of unearned contribution	-	100	-	100
	<u>836,878</u>	<u>3,275</u>	<u>63,274</u>	<u>903,427</u>
Unallocated amounts:				
- Prepayments and other receivables				605
- Furniture, fittings and office equipment				7,447
<b>Total Insurance Operations' assets</b>				<u>911,479</u>
<b>INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>				
Insurance Operations' liabilities				
Technical reserve for Insurance Operations	789,212	264	8,649	798,125
Unearned contribution – gross	-	174	-	174
Outstanding claims – gross	1,206	3,350	9,861	14,417
Reinsurance balances payable	9,108	347	45,578	55,033
Due to related parties	2,061	-	-	2,061
Contributions received in advance	656	-	-	656
Accruals and other payables	17,414	2	6	17,422
	<u>819,657</u>	<u>4,137</u>	<u>64,094</u>	<u>887,888</u>
Unallocated amounts:				
- Due to Shareholders Operations				13,006
- Employees' end of service benefits				1,280
<b>Total Insurance Operations' liabilities</b>				<u>902,174</u>
<b>Surplus from Insurance Operations</b>				<u>9,305</u>
<b>Total Insurance Operations' liabilities and surplus</b>				<u>911,479</u>

**ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
As at 31 March 2016

**13 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, unit-linked investments, FVIS investments, available for sale investments, contribution receivable, other receivables, due from insurance operations and its financial liabilities consist of outstanding claims, reinsurance balances payable, amount due to related parties, due to shareholder operations and other payables. The fair values of financial instruments are not materially different from their carrying values. As at 31 March 2016, apart from the investments which are carried at fair value (note 5 & 6), 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 2016 and 31 December 2015, all financial instruments which are fair valued are Level 2 instruments except for available for sale investments which are Level 1 investments. The Company determines Level 2 fair values for unit-linked and FVIS investments based on the net assets value of the respective funds as at the end of the reporting period. There are no transfers between Level 1, Level 2 and Level 3 during the period.

**14 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.

**15 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS**

These interim condensed financial statements have been approved by the Board of Directors on 10 Rajab 1437H, corresponding to 17 April 2016