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

**UNAUDITED INTERIM CONDENSED**  
**FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED**  
**31 MARCH 2012**

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012**

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**REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS****THE SHAREHOLDERS  
AL AHLI TAKAFUL COMPANY  
(A SAUDI JOINT STOCK COMPANY)  
KINGDOM OF SAUDI ARABIA****Scope of review**

We have reviewed the accompanying interim statement of financial position of Al Ahli Takaful Company - a Saudi Joint Stock Company ("the Company") as at 31 March 2012, 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. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") and submitted to us together with all the information and explanations which we required. We conducted our review in accordance with the Standard on Review of Interim Financial Information issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with Generally Accepted Auditing Standards in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

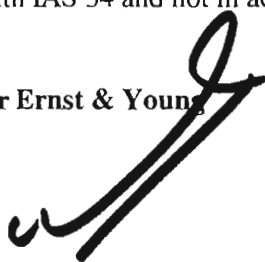
**Conclusion**

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

**Emphasis of Matter**

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

for Ernst &amp; Young



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Ahmed I. Reda  
Certified Public Accountant  
Licence No. 356

for KPMG Al Fozan &amp; Al Sadhan



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Ebrahim Oboud Baeshen  
Certified Public Accountant  
Licence No. 382

Jeddah, Kingdom of Saudi Arabia

21 April 2012  
29 Jumad Al Awal 1433H

# ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

## INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

		31 March 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000
	Notes		
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	3	18,596	28,580
Trading investments held to cover unit-linked liabilities	4&6	391,856	344,972
Due from Shareholders' Operations		-	317
Gross contribution receivable from a related party	8	134	959
Allowances for doubtful receivables		(20)	(240)
Net contribution receivable		114	719
Accrued income		229	-
Prepayments and other receivables		977	-
Reinsurance share of unearned contribution		2,537	698
Reinsurance share of outstanding benefits receivable		345	536
Furniture, fittings and office equipment		3,224	-
<b>Total Insurance Operations' assets</b>		<b>417,878</b>	<b>375,822</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	3	555	82,868
Trading investments	4	128,470	50,370
Due from a related party	8	-	200
Due from Insurance Operations		1,290	-
Prepayments and other receivables		195	119
Furniture, fittings and office equipment		-	3,656
Statutory deposit		10,000	10,000
<b>Total Shareholders' assets</b>		<b>140,510</b>	<b>147,213</b>
<b>TOTAL ASSETS</b>		<b>558,388</b>	<b>523,035</b>

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 11 form 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 2012

		31 March 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000
	Notes		
<b>INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>			
<b>Insurance Operations' liabilities</b>			
Technical reserve for Insurance Operations	6	394,647	355,909
Unearned contribution – gross		3,311	780
Outstanding claims – gross		383	596
Reinsurance balances payable		8,141	9,858
Deferred commission revenue – group and credit life		-	179
Due to a related party	8	1,568	680
Due to Shareholders' Operations		1,290	-
Contributions received in advance		1,121	1,548
Accruals and other payables		6,105	5,250
Employees' end of service benefits		662	-
Total Insurance Operations' liabilities		417,228	374,800
<b>Insurance Operations' surplus</b>			
Surplus from Insurance Operations		650	1,022
<b>Total Insurance Operations' liabilities and surplus</b>		<b>417,878</b>	<b>375,822</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>Shareholders' liabilities</b>			
Accruals and other payables		504	6,672
Due to Insurance Operations		-	317
Accrued Zakat	5	4,286	4,008
Employees' end of service benefits		-	623
Total shareholders' liabilities		4,790	11,620
<b>Shareholders' equity</b>			
Share capital	10	166,667	100,000
Increase in share capital	10	-	66,667
Statutory reserve		7,874	7,874
Accumulated losses		(38,821)	(38,948)
<b>Total shareholders' equity</b>		<b>135,720</b>	<b>135,593</b>
<b>Total shareholders' liabilities and equity</b>		<b>140,510</b>	<b>147,213</b>
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES, SURPLUS, SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>558,388</b>	<b>523,035</b>

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 11 form 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 period ended 31 March 2012

	<i>Three-month period ended 31 March</i>	
	<i>2012</i>	<i>2011</i>
	<i>SR'000</i>	<i>SR'000</i>
<b>INSURANCE REVENUE</b>		
Gross contributions	44,893	43,522
Investible contribution, net	(31,456)	(29,381)
Net insurance contributions	13,437	14,141
Reinsurance ceded	(5,316)	(3,634)
Net written contributions	8,121	10,507
Change in net unearned contribution	(774)	-
<b>Net insurance revenue</b>	7,347	10,507
<b>CLAIMS AND EXPENSES</b>		
Gross claims paid	(1,772)	(300)
Reinsurance share of claims paid	1,595	270
Net claims paid	(177)	(30)
Change in outstanding claims provision (note 7)	(94)	(126)
<b>Net claims incurred</b>	(271)	(156)
Acquisition fee paid to the distributing shareholder	(725)	(3,045)
Entrance fee paid to the technical and distributing shareholders	(880)	(2,348)
Administration fee paid to the distributing shareholder	(2,638)	(2,416)
Acquisition and administration fee paid to shareholders' operations	-	(2,038)
Supervision and inspection fee	(323)	(314)
Other direct underwriting expenses	(73)	(71)
Management fee - Wakala fee	-	(39)
<b>Total claims and expenses</b>	(4,910)	(10,427)
<b>Underwriting surplus for the period</b>	2,437	80
Investment fund fee	706	-
General and administration expenses	(2,600)	-
<b>Surplus for the period from Insurance Operations</b>	543	80
Shareholders' share of surplus from Insurance Operations	(489)	-
<b>Policyholders' share of surplus for the period</b>	54	80
<b>Accumulated policyholders' surplus at the beginning of the period</b>	1,022	707
<b>Policyholders' surplus distributed during the period</b>	(426)	-
<b>ACCUMULATED POLICYHOLDERS' SURPLUS AT THE END OF THE PERIOD</b>	650	787

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 11 form 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 2012

	<i>Three-month period ended 31 March</i>	
	<i>2012 SR'000</i>	<i>2011 SR'000</i>
Shareholders' share of surplus from Insurance Operations	489	-
Share of acquisition and administration fee from Insurance Operations	-	2,038
Unrealised gain on investment	654	47
Realised loss on investment	-	(1)
Investment fund fee	-	322
Management fee	-	39
<b>Total income</b>	<b>1,143</b>	<b>2,445</b>
General and administration expenses	(738)	(3,141)
<b>NET PROFIT/(LOSS)FOR THE PERIOD</b>	<b>405</b>	<b>(696)</b>
Weighted average number of ordinary shares outstanding (in thousands)	11,538	10,000
Net earnings/(loss) per share for the period (SR)	0.04	(0.07)

  
Director

  
Chief Financial Officer

  
Chief Executive Officer

**ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY**

**INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**

For the three-month period ended 31 March 2012

	<i>Three-month period ended 31 March</i>	
	<i>2012 SR'000</i>	<i>2011 SR'000</i>
<b>NET PROFIT/(LOSS) FOR THE PERIOD</b>	<b>405</b>	<b>(696)</b>
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE)</b>		
Zakat for the three-month period	(278)	(112)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	<b>127</b>	<b>(808)</b>

  
Director

  
Chief Financial Officer

  
Chief Executive Officer



**ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY**  
**INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)**  
For the three-month period ended 31 March 2012

*For the three-month period ended 31 March 2012*

	Share capital SR '000	Increase in share capital SR '000	Share premium SR '000	Statutory reserve SR '000	Accumulated losses SR '000	Total SR '000
Balance as at 31 December 2011 (audited)	100,000	66,667	-	7,874	(38,948)	135,593
Transfer to share capital (note 10.2)	66,667	(66,667)	-	-	-	-
Net profit for the three-month period	-	-	-	-	405	405
Zakat for the three-month period	-	-	-	-	(278)	(278)
<b>Balance at 31 March 2012</b>	<b>166,667</b>	<b>-</b>	<b>-</b>	<b>7,874</b>	<b>(38,821)</b>	<b>135,720</b>

*For the three-month period ended 31 March 2011*

	Share capital SR '000	Increase in share capital SR '000	Share premium SR '000	Statutory reserve SR '000	Accumulated losses SR '000	Total SR '000
Balance as at 31 December 2010 (audited)	100,000	-	-	-	(33,169)	66,831
Net loss for the three-month period	-	-	-	-	(696)	(696)
Zakat for the three-month period	-	-	-	-	(112)	(112)
<b>Balance at 31 March 2011</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(33,977)</b>	<b>66,023</b>

Director

Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 11 form 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 2012

	<i>Three-month period ended 31 March</i>	
	<i>2012 SR'000</i>	<i>2011 SR'000</i>
<b>OPERATING ACTIVITIES</b>		
Policyholders' share of surplus for the period	54	80
Adjustment for the period:		
Depreciation	455	-
Employees' end of service benefits, net	39	-
Unrealised (gain)/loss on trading investments held to cover unit-linked liabilities	(4,684)	1,276
Reinsurance share of unearned contribution	(1,839)	-
Unearned contribution – gross	2,531	-
Deferred commission revenue – group and credit life	(179)	518
	<b>(3,623)</b>	<b>1,874</b>
Changes in operating assets and liabilities:		
Trading investments held to cover unit-linked liabilities	(42,200)	(27,679)
Due to Shareholders' Operations	513	(468)
Net contribution receivable	605	-
Accrued income	(29)	-
Prepayments and other receivables	(874)	-
Reinsurance share of outstanding benefits receivable	191	(419)
Technical reserve for Insurance Operations	38,738	28,012
Outstanding benefits – gross	(213)	797
Reinsurance balances payable	(1,717)	2,971
Due to a related party	875	146
Contributions received in advance	(427)	390
Accruals and other payables	(1,374)	162
Net cash (used in)/from operating activities	<b>(9,535)</b>	<b>5,786</b>
<b>INVESTING ACTIVITY</b>		
Purchase of furniture, fittings and office equipment	(23)	-
<b>FINANCING ACTIVITY</b>		
Surplus distributed	(426)	-
Net (decrease)/increase in cash and cash equivalents	<b>(9,984)</b>	<b>5,786</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>28,580</b>	<b>10,518</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>18,596</b>	<b>16,304</b>

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 11 form 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 2012

	<i>Three-month period ended 31 March</i>	
	<i>2012 SR'000</i>	<i>2011 SR'000</i>
<b>OPERATING ACTIVITIES</b>		
Net profit/(loss) for the period	405	(696)
Adjustments for the period:		
Depreciation	-	438
Employees' end of service benefits, net	-	(122)
Realised loss on trading investments	-	1
Unrealised gain on trading investments	(654)	(47)
	(249)	(426)
Changes in operating assets and liabilities:		
Prepayments and other receivables	(180)	14
Due from Insurance Operations	(513)	468
Accruals and other payables	(3,925)	(3,210)
Net cash used in operating activities	(4,867)	(3,154)
<b>INVESTING ACTIVITIES</b>		
Purchase of furniture, fittings and office equipment	-	(39)
Purchase of trading investments	(77,446)	-
Redemption of trading investments	-	3,500
Net cash (used in)/from investing activities	(77,446)	3,461
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(82,313)</b>	<b>307</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>82,868</b>	<b>1,066</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>555</b>	<b>1,373</b>

Director

Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 11 form part of these interim condensed financial statements.

## ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2012

#### 1 ORGANIZATION AND PRINCIPAL ACTIVITIES

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

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 market on 18 August 2007.

As at the date of incorporation, the Company is owned 66.25% by Saudi founding shareholders and general public, and 33.75% by non-Saudi shareholders.

#### 1.2 *Modification of products terms and conditions*

Since incorporation, the Company has been selling its products under Takaful model. In a meeting held on 7 June, 2011, Saudi Arabian Monetary Agency (SAMA) has instructed the Company, to modify the products to be in line with the cooperative insurance model as per the Law on Supervision of Cooperative Insurance Companies and to amend terms and conditions of the products accordingly, by 31 December 2011.

During 2011, the Company submitted and received SAMA's approval for its revised terms and conditions and the accounting model that would be followed after the transition from Takaful model, to the cooperative insurance model. The Company has implemented the cooperative insurance model with effect from 1 January 2012. Had the Company continued with the Takaful model, the assets, liabilities of the insurance operations and shareholders' operations, insurance operations' surplus and shareholders' equity as at 31 March 2012, and the policyholders' share of surplus and shareholders net profit for the period ended 31 March 2012 would not have been materially different.

Certain figures of prior period have been reclassified to conform with the current period's presentation.

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a) *Basis of presentation*

The interim condensed financial statements of the Company have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting (IAS 34).

The accounting policies adopted by the Company for the preparation of these interim condensed financial statements are in accordance with International Financial Reporting Standards (IFRS) and are consistent with those used for the preparation of annual financial statements. The adoption of new and amended IFRS and International Financial Reporting Interpretations Committee Interpretations (IFRIC) by the Company as mentioned in note 2(b), did not have any impact on these interim condensed financial statements.

The interim condensed financial statements for the three-month period ended 31 March 2012 should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2011. 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.

## ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2012

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### a) *Basis of presentation (continued)*

The interim condensed financial statements are expressed in Saudi Arabian Riyals, being the functional currency of the Company and have been rounded off to the nearest thousand, unless otherwise specified. The Company's interim results may not be indicative of its annual results.

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

The Company follows a fiscal year ending 31 December.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards.

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

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

<i>Standard/ Interpretation</i>	<i>Description</i>
IAS 12	Amendments to Income taxes – Deferred taxes: Recovery of underlying assets
IFRS 7	Financial Instruments: Disclosures (Transfers of Financial Assets)
IAS 34	Interim Financial Reporting

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 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 become effective.

<i>Standard/ Interpretation</i>	<i>Description</i>	<i>Effective from periods beginning on or after the following date</i>
IFRS 9	Financial Instruments – Classification and Measurement	1 January 2015
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosures of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IAS 1	Amendments to IAS 1 Presentation of financial statements	1 July 2012
IAS 19	Amendments to IAS 19 Employee benefits	1 January 2013
IAS 27	Separate financial statements	1 January 2013
IAS 28	Investments in associates and joint ventures	1 January 2013



**ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**  
At 31 March 2012

**3 CASH AND CASH EQUIVALENTS**

	<i>31 March 2012 (Unaudited) SR'000</i>	<i>31 December 2011 (Audited) SR'000</i>
<i><b>Insurance Operations</b></i>		
Cash in hand	5	-
Cash at bank	18,591	28,580
	<u>18,596</u>	<u>28,580</u>
<i><b>Shareholders' Operations</b></i>		
Cash in hand	-	5
Cash at banks (Note 3.1)	555	82,863
	<u>555</u>	<u>82,868</u>

- 3.1 Cash at banks as at 31 December 2011 included an amount of SR 79,922 thousands, which represented proceeds from rights issue (note 10), which were held by a bank in an escrow account, for and on behalf of the Company. The amount has been credited to the Company's bank account on completion of the legal procedures to reflect the increase in share capital, during the three month period ended 31 March 2012.

**4 TRADING INVESTMENTS**

	<i>31 March 2012 (Unaudited) SR'000</i>	<i>31 December 2011 (Audited) SR'000</i>
<i><b>Insurance Operations</b></i>		
Al Manarah Conservative Growth Strategy	239,509	213,415
Al Manarah Medium Growth Strategy	90,447	78,424
Al Manarah High Growth Strategy	61,900	53,133
	<u>391,856</u>	<u>344,972</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 2012 (Unaudited) SR'000</i>	<i>31 December 2011 (Audited) SR'000</i>
<i><b>Shareholders' Operations</b></i>		
Al Ahli Takaful Discretionary Portfolio	128,470	50,370

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.



**ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**  
At 31 March 2012

**4 TRADING INVESTMENTS (continued)**

The movement in the trading investments during the three-month period ended 31 March 2012 and the year ended 31 December 2011 is as follows:

	<i>31 March 2012 (Unaudited) SR'000</i>	<i>31 December 2011 (Audited) SR'000</i>
<b>Insurance Operations</b>		
Balance at the beginning of the period/year	344,972	228,049
Purchased during the period/year	42,200	133,077
Unrealised gain/(loss) during the period/year	4,684	(16,154)
Balance at end of the period/year	<u>391,856</u>	<u>344,972</u>
	<i>31 March 2012 (Unaudited) SR'000</i>	<i>31 December 2011 (Audited) SR'000</i>
<b>Shareholders' Operations</b>		
Balance at the beginning of the period/year	50,370	58,110
Purchased during the period/year	77,446	-
Redemption during the period/year	-	(7,000)
Realised loss during the period/year	-	(44)
Unrealised gain/(loss) during the period/year	654	(696)
Balance at end of the period/year	<u>128,470</u>	<u>50,370</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 during the three-month period ended 31 March 2012 and the year ended 31 December 2011 is as follows:

	<i>31 March 2012 (Unaudited) SR'000</i>	<i>31 December 2011 (Audited) SR'000</i>
Balance at the beginning of the period/year	4,008	3,126
Charge for the period/year	278	882
Balance at the end of the period/year	<u>4,286</u>	<u>4,008</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, 2009 and 2010, and the final certificates have been received from DZIT for the period ended 31 December 2007 and for the years ended 31 December 2008 and 2009. The Company also obtained limited Zakat certificate for the year ended 31 December 2010. The Company is in the process of filing its Zakat and income tax returns for the year ended 31 December 2011.

During 2011, DZIT has raised an assessment for the year ended 31 December 2010 demanding additional Zakat liability of SR 1,050,759. The Company filed an appeal against the assessment and is confident of a favourable outcome. During 2012, DZIT has raised another assessment for the period ended 31 December 2007 and for years ended 31 December 2008 and 2009 demanding additional Zakat and withholding tax liability of SR 3,997,397. The Company is in the process of filing an appeal against this assessment.

# ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2012

### 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:

	31 March 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000
Technical reserve relating to the Participant Investment Strategies (unit liability)	393,494	354,585
Allowance for the retained risk	906	1,143
Incurred But Not Reported (IBNR) reserves	247	181
	<u>394,647</u>	<u>355,909</u>

- b) Reconciliation of technical reserves to trading investments held to cover unit linked liabilities:

	31 March 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000
Technical reserve for Insurance Operations ((a) above)	394,647	355,909
Accumulated surplus from Insurance Operations	1,022	1,022
Deficit from Insurance Funds of previous year	(336)	(336)
Distribution of surplus of previous years	(426)	-
Allowance for doubtful receivables	220	240
Provisions for retained risk for Group Insurance Programme	(259)	(119)
IBNR for Group Insurance Programme	(90)	(61)
Provisions for retained risk for Insurance & Savings Programme	(645)	(1,024)
IBNR for Insurance & Saving programme	(142)	(118)
Funds in transit – Investment current account	(2,135)	(10,541)
Trading investments held to cover unit-linked liabilities	<u>391,856</u>	<u>344,972</u>

### 7 MOVEMENT IN OUTSTANDING CLAIMS PROVISION

	Three-month period ended 31 March	
	2012 (Unaudited) SR'000	2011 (Unaudited) SR'000
Change in outstanding claims – Gross	213	797
Change in outstanding claims – Reinsurance	(191)	(718)
Change in Incurred But Not Reported claims (IBNR)	72	47
Movement in outstanding claims provision	<u>94</u>	<u>126</u>

**ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**  
At 31 March 2012

**8 RELATED PARTY TRANSACTIONS AND BALANCES**

The following are the details of major related party transactions during the three-month period ended 31 March 2012 and 2011:

Related party	Nature of transactions	Amount of transactions	
		2012 (Unaudited) SR'000	2011 (Unaudited) SR'000
<b>Insurance Operations</b>			
Shareholder	Gross Group Life Insurance contribution	3,530	2,942
Shareholder	Gross Group Credit Life contribution	1,537	-
Shareholder	Gross Group Credit cards contribution	1,468	-
Shareholder	Acquisition fee paid for distributing the products	725	3,045
Shareholders	Entrance fee	880	2,348
Shareholders	Administration fee	2,638	2,416
Shareholder	Fee from Investment Fund Manager	706	-
<b>Shareholders' Operations</b>			
Shareholder	General and administrative expenses paid on behalf of the Company and recharged to the Company	-	111
Shareholder	Fee from Investment Fund Manager	-	322

Gross contribution receivable from a related party and amount due from and due to a related party, are shown in the Interim Statement of Financial Position.

# ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2012

### 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:

	<i>Three-month period ended 31 March 2012</i>			
	<i>Insurance - individual SR '000</i>	<i>Insurance- group life SR '000</i>	<i>Other SR '000</i>	<i>Total SR '000</i>
<b>INSURANCE REVENUE</b>				
Gross contributions	38,357	3,530	3,006	44,893
Investible contribution, net	(31,195)	(166)	(95)	(31,456)
Net Insurance contributions	7,162	3,364	2,911	13,437
Reinsurance ceded	(1,190)	(2,654)	(1,472)	(5,316)
Net written contributions	5,972	710	1,439	8,121
Change in net unearned contribution	-	(665)	(109)	(774)
<b>Net insurance revenue</b>	<b>5,972</b>	<b>45</b>	<b>1,330</b>	<b>7,347</b>
<b>CLAIMS AND EXPENSES</b>				
Gross claims paid	(886)	(750)	(136)	(1,772)
Reinsurance share of claims paid	798	675	122	1,595
Net claims paid	(88)	(75)	(14)	(177)
Change in outstanding claims provision	(4)	(50)	(40)	(94)
<b>Net claims incurred</b>	<b>(92)</b>	<b>(125)</b>	<b>(54)</b>	<b>(271)</b>
Acquisition fee paid to the distributing shareholders	(725)	-	-	(725)
Entrance fee paid to the technical and distributing shareholders	(880)	-	-	(880)
Administration fee paid to the distributing shareholders	(2,638)	-	-	(2,638)
Supervision and inspection fee	(290)	(18)	(15)	(323)
Other direct underwriting expenses	(73)	-	-	(73)
<b>Total claims and expenses</b>	<b>(4,698)</b>	<b>(143)</b>	<b>(69)</b>	<b>(4,910)</b>
<b>Underwriting surplus/deficit for the period</b>	<b>1,274</b>	<b>(98)</b>	<b>1,261</b>	<b>2,437</b>
Investment fund fee	-	-	-	706
General and administration expenses	-	-	-	(2,600)
<b>Surplus for the period from Insurance Operations</b>				<b>543</b>

# ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2012

### 9 OPERATING SEGMENT INFORMATION (continued)

	<i>Three-month period ended 31 March 2011</i>		
	<i>Insurance - individual SR '000</i>	<i>Insurance- group life SR '000</i>	<i>Total SR '000</i>
<b>INSURANCE REVENUE</b>			
Gross contributions	40,580	2,942	43,522
Investible contribution, net	(29,193)	(188)	(29,381)
Net Insurance contributions	11,387	2,754	14,141
Reinsurance ceded	(1,158)	(2,476)	(3,634)
Net written contributions	10,229	278	10,507
<b>CLAIMS AND EXPENSES</b>			
Gross claims paid	-	(300)	(300)
Reinsurance share of claims paid	-	270	270
Net claims paid	-	(30)	(30)
Change in outstanding benefits provision	(80)	(46)	(126)
Net claims incurred	(80)	(76)	(156)
Acquisition fee paid to the distributing shareholders	(3,045)	-	(3,045)
Entrance fee paid to the technical and distributing shareholders	(2,348)	-	(2,348)
Administration fee paid to the distributing shareholders	(2,416)	-	(2,416)
Acquisition and administration fee paid to shareholders' operations	(1,865)	(173)	(2,038)
Supervision and inspection fee	(296)	(18)	(314)
Other direct underwriting expenses	(71)	-	(71)
Management fee - Wakala fee	(28)	(11)	(39)
Total claims and expenses	(10,149)	(278)	(10,427)
Underwriting surplus for the period	80	-	80
Net surplus for the period from Insurance Operations	80	-	80

**ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**  
At 31 March 2012

**9 OPERATING SEGMENT INFORMATION (continued)**

	<i>As at 31 March 2012</i>			
	<i>Insurance - individual SR '000</i>	<i>Insurance- group SR '000</i>	<i>Other SR '000</i>	<i>Total SR '000</i>
<b>INSURANCE OPERATIONS' ASSETS</b>				
Cash and cash equivalents	13,281	3,116	2,199	18,596
Trading investments held to cover unit-linked liabilities	391,856	-	-	391,856
Gross contribution receivable from a related party	-	134	-	134
Allowances for doubtful receivables	-	(20)	-	(20)
Net contribution receivable	-	114	-	114
Accrued income	229	-	-	229
Prepayments and other receivables	-	-	-	977
Reinsurance share of unearned contribution	-	2,005	532	2,537
Reinsurance share of outstanding benefits receivable	345	-	-	345
Furniture, fittings and office equipment	-	-	-	3,224
<b>Total Insurance Operations' assets</b>				<b>417,878</b>
<b>INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>				
<b>Insurance Operations' liabilities</b>				
Technical reserve for Insurance Operations	394,231	216	200	394,647
Unearned contribution – gross	-	2,669	642	3,311
Outstanding benefits – gross	383	-	-	383
Reinsurance balances payable	4,324	1,924	1,893	8,141
Due to Shareholders Operations	-	-	-	1,290
Contributions received in advance	1,121	-	-	1,121
Accruals and other payables	-	-	-	6,105
Due to a related party	-	-	-	1,568
Employees' end of service benefits	-	-	-	662
<b>Total Insurance Operations' liabilities</b>				<b>417,228</b>
<b>Surplus from Insurance Operations</b>	-	-	-	<b>650</b>
<b>Total Insurance Operations' liabilities and surplus</b>				<b>417,878</b>



**ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**  
At 31 March 2012

**9 OPERATING SEGMENT INFORMATION (continued)**

	<i>As of 31 December 2011</i>			
	<i>Insurance - individual SR '000</i>	<i>Insurance- group SR '000</i>	<i>Other SR '000</i>	<i>Total SR '000</i>
<b>Insurance Operations' assets</b>				
Cash at bank	25,478	2,409	693	28,580
Trading investments held to cover unit-linked liabilities	344,972	-	-	344,972
Due from shareholders' operations	335	(12)	(6)	317
Gross contribution receivable from a related party	-	-	959	959
Allowance for doubtful receivables	-	-	(240)	(240)
Net Contribution receivable	-	-	719	719
Reinsurance share of unearned contribution	-	-	698	698
Reinsurance share of outstanding benefits receivable	536	-	-	536
				<u>375,822</u>
<b>Insurance Operations' liabilities</b>				
Technical reserve for Insurance Operations	355,727	116	66	355,909
Unearned contribution – gross	-	-	780	780
Outstanding benefits – gross	596	-	-	596
Reinsurance balances payable	6,399	2,140	1,319	9,858
Deferred commission revenue – group and credit life	-	-	179	179
Due to a related party	540	140	-	680
Contributions received in advance	1,548	-	-	1,548
Accruals and other payables	5,249	1	-	5,250
Surplus from Insurance Fund	1,262	-	(240)	1,022
				<u>375,822</u>

**10 SHARE CAPITAL**

The initial authorised and issued share capital of the Company is SR 100 million divided into 10 million ordinary shares of SR 10 each. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

- 10.1** On 15 February 2011, the Board of Directors of the Company has recommended a rights issue of SR 80 million to increase the share capital, which was approved by Saudi Arabian Monetary Agency (SAMA) on 21 May 2011 and by Capital Market Authority on 14 August 2011.

In the extra-ordinary general meeting held on 19 November 2011, the shareholders approved rights issue of SR 80 million. As approved by the regulators, 6,666,667 ordinary shares have been offered at an exercise price of SR 12 (SR 10 par value plus SR 2 premium), the subscription period for which started on 26 November 2011 and ended on 4 December 2011. As the legal formalities to increase the share capital of the Company were not completed by 31 December 2011, the proceeds from rights issue were classified as increase in share capital and share premium, amounting to SR 66,667 thousands and SR 13,333 thousands respectively. Subsequently, after adjusting the cost to raise equity of SR 5,459 thousands, the net balance in the share premium account, amounting to SR 7,874 thousands, was transferred to statutory reserve as required by Article 98 of Regulations for Companies.

- 10.2** As the legal formalities have been completed during the three-month period 31 March 2012, the increase in share capital amounting to SR 66,667 thousands has been classified as share capital.

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

These interim condensed financial statements have been approved by the Board of Directors on 29 Jumad Al Awal 1433 H, corresponding to 21 April 2012.