

**ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH AND TWELVE-MONTH
PERIODS ENDED 31 DECEMBER 2016**

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED 31 DECEMBER 2016

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working world

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INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

The Shareholders
Aljazira Takaful Taawuni Company
(A Saudi Joint Stock Company)
Kingdom of Saudi Arabia

Scope of review

We have reviewed the accompanying interim statement of financial position of Aljazira Takaful Taawuni Company - a Saudi Joint Stock Company - (the "Company") as at 31 December 2016 and the related interim statements of insurance operations and accumulated surplus, shareholders' operations and shareholders' comprehensive income for the three-month and twelve-month periods then ended, and the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the twelve-month period then ended and related notes 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 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 auditing standards generally accepted 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 the accompanying 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.

**PKF Al-Bassam & Al-Nemer
Allied Accountants**

Ibrahim A. Al Bassam
Certified Public Accountant
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Certified Public Accountant
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17 January 2017
19 Rabei Al Thani 1438H
Jeddah, Kingdom of Saudi Arabia




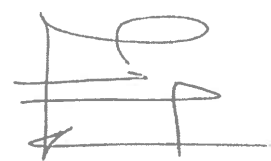
ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)


INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

		31 December 2016 (Unaudited) SR '000	31 December 2015 (Audited) SR '000
	Notes		
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	58,984	45,804
Available-for-sale investments held to cover unit-linked liabilities	5	69,953	37,105
Contributions receivable, net	6	222	1,108
Reinsurance share of unearned contributions		6,912	8,486
Reinsurance share of outstanding claims including IBNR	9	12,009	5,966
Due from a related party	10(b)	3,665	2,051
Prepayments and other receivables		288	246
Total Insurance Operations' Assets		152,033	100,766
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	22,893	11,463
Advance for investment		-	331
Held-to-maturity investments	4	272,900	270,261
FVIS investments	7	31,206	41,149
Due from Insurance Operations		19,825	14,539
Statutory deposit		35,000	35,000
Total Shareholders' Assets		381,824	372,743
TOTAL ASSETS		533,857	473,509


Chairman


Managing Director


Acting Chief Financial Officer


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

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2016

		31 December 2016 (Unaudited) SR '000	31 December 2015 (Audited) SR '000
	Notes		
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance Operations' Liabilities			
Reserve for insurance activities	8	71,153	37,700
Unearned contributions		17,893	17,215
Outstanding claims including IBNR	9	17,399	10,169
Advance contributions		386	356
Contributions deposit		459	190
Reinsurance balances payable		11,169	11,490
Accrued expenses and other liabilities		9,673	7,127
Due to Shareholders' Operations		19,825	14,539
Employees' end of service benefits		1,924	357
Total Insurance Operations' Liabilities		149,881	99,143
Insurance Operations' Surplus			
Surplus from Insurance Operations		2,152	1,623
Total Insurance Operations' Liabilities and Surplus		152,033	100,766
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' Liabilities			
Accrued expenses and other liabilities		1,630	247
Accrued zakat and income tax	11	1,330	779
Total Shareholders' Liabilities		2,960	1,026
Shareholders' Equity			
Share capital		350,000	350,000
Statutory reserve		10,671	5,487
Retained earnings		18,193	16,230
Total Shareholders' Equity		378,864	371,717
Total Shareholders' Liabilities and Equity		381,824	372,743
TOTAL INSURANCE OPERATIONS' LIABILITIES, SURPLUS, SHAREHOLDERS' LIABILITIES AND EQUITY		533,857	473,509


Chairman



Acting Chief Financial Officer


Managing Director

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

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS (UNAUDITED)

For the three-month and twelve-month periods ended 31 December 2016

	Notes	Three-month period ended 31 December		Twelve-month period ended 31 December	
		2016 SR'000	2015 SR'000	2016 SR'000	2015 SR'000
INSURANCE REVENUE					
Gross written contributions		9,003	11,693	76,166	71,148
Investible contributions, net		(9,338)	(9,218)	(37,480)	(29,753)
Unit reserve		2,689	506	6,489	1,734
Net insurance contributions		2,354	2,981	45,175	43,129
Contributions ceded		(670)	(360)	(15,287)	(18,332)
Net written contributions		1,684	2,621	29,888	24,797
Change in unearned contributions - net		5,157	3,863	(2,253)	(2,046)
Change in mathematical reserve		(570)	470	(626)	234
Net insurance revenue		6,271	6,954	27,009	22,985
CLAIMS AND EXPENSES					
Gross claims paid		(2,906)	(1,091)	(9,378)	(7,253)
Reinsurance share of claims paid		2,213	926	7,615	6,146
Net claims paid		(693)	(165)	(1,763)	(1,107)
Change in outstanding claims including IBNR, net		1,102	(44)	(1,187)	(1,664)
Net claims recovered / (incurred)		409	(209)	(2,950)	(2,771)
Policy acquisition costs		(414)	(528)	(2,094)	(1,905)
Supervision and inspection fees		(45)	(59)	(381)	(356)
Total claims and expenses		(50)	(796)	(5,425)	(5,032)
Underwriting surplus for the period		6,221	6,158	21,584	17,953
General and administrative expenses		(1,104)	(1,583)	(5,032)	(6,421)
Portfolio management fee	1 & 10	-	-	-	1,638
Investment income		368	-	1,203	-
Other income		440	295	3,770	1,789
SURPLUS FOR THE PERIOD FROM INSURANCE OPERATIONS		5,925	4,870	21,525	14,959
Shareholders' share of surplus from Insurance Operations	2(a)	(5,333)	(4,383)	(19,373)	(13,463)
Surplus for the period		592	487	2,152	1,496
Surplus from Insurance Operations at the beginning of the period		3,056	1,136	1,623	127
Distribution of surplus to policyholders		(1,496)	-	(1,623)	-
Accumulated surplus from Insurance Operations at the end of the period		2,152	1,623	2,152	1,623

Chairman

Acting Chief Financial Officer

Managing Director

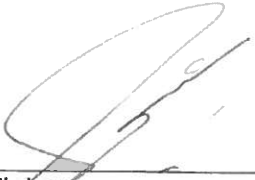
The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.


ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)


INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS (UNAUDITED)

For the three-month and twelve-month periods ended 31 December 2016

		Three-month period ended 31 December		Twelve-month period ended 31 December	
		2016 SR'000	2015 SR'000	2016 SR'000	2015 SR'000
Shareholders' share of surplus from					
Insurance Operations	2(a)	5,333	4,383	19,373	13,463
Profit on held-to-maturity investments	10	2,586	1,085	8,056	4,121
Realised gains on investments		-	-	215	1,464
Unrealised gains on FVIS investments		330	143	491	426
Dividend income		-	-	23	-
Other income		20	12	78	42
Total income		8,269	5,623	28,236	19,516
General and administrative expenses		(735)	(338)	(2,317)	(1,855)
NET INCOME FOR THE PERIOD		7,534	5,285	25,919	17,661
Weighted average number of ordinary shares outstanding (in thousands)		35,000	35,000	35,000	35,000
Basic and diluted earnings per share for the period (SR)	12	0.215	0.151	0.740	0.504


Chairman


Managing Director


Acting Chief Financial Officer

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ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
(UNAUDITED)

For the three-month and twelve-month periods ended 31 December 2016

	<i>Three-month period ended 31 December</i>		<i>Twelve-month period ended 31 December</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
NET INCOME FOR THE PERIOD	7,534	5,285	25,919	17,661
Zakat and income tax for the period	(34)	(236)	(1,272)	(806)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	7,500	5,049	24,647	16,855

Chairman

Managing Director

Acting Chief Financial Officer

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ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the twelve-month period ended 31 December 2016

	<i>Share capital SR '000</i>	<i>Statutory reserve SR '000</i>	<i>Retained earnings SR '000</i>	<i>Total SR '000</i>
Balance as at 31 December 2015 (Audited)	350,000	5,487	16,230	371,717
Net income for the period	-	-	25,919	25,919
Dividend (note 13)	-	-	(17,500)	(17,500)
Transfer to statutory reserve	-	5,184	(5,184)	-
Zakat and income tax for the period (note 11)	-	-	(1,272)	(1,272)
Balance as at 31 December 2016 (Unaudited)	350,000	10,671	18,193	378,864

	<i>Share capital SR '000</i>	<i>Statutory reserve SR '000</i>	<i>Retained earnings SR '000</i>	<i>Total SR '000</i>
Balance as at 31 December 2014 (Audited)	350,000	1,955	2,907	354,862
Net income for the period	-	-	17,661	17,661
Transfer to statutory reserve	-	3,532	(3,532)	-
Zakat and income tax for the period (note 11)	-	-	(806)	(806)
Balance as at 31 December 2015 (Audited)	350,000	5,487	16,230	371,717


Chairman


Managing Director


Acting Chief Financial Officer

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

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS (UNAUDITED)
For the twelve-month period ended 31 December 2016

	<i>Twelve-month period ended 31 December</i>	
	<i>2016</i>	<i>2015</i>
	<i>SR' 000</i>	<i>SR' 000</i>
OPERATING ACTIVITIES		
Surplus for the period	2,152	1,496
Adjustments for the period:		
Employees' end of service benefits, net	1,567	210
Allowance for doubtful receivables (note 6)	28	-
Reinsurance share of unearned contributions	1,574	(709)
Unearned contributions	678	7,353
Distribution of surplus to policyholders	(1,623)	-
	<u>4,376</u>	<u>8,350</u>
Changes in operating assets and liabilities:		
Available-for-sale investments held to cover unit-linked liabilities, net	(32,848)	(26,152)
Contributions receivable	858	(666)
Reinsurance share of outstanding claims including IBNR	(6,043)	(3,968)
Due from a related party	(1,614)	91
Prepayments and other receivables	(42)	(166)
Reserve for insurance activities	33,453	25,709
Outstanding claims including IBNR	7,230	5,632
Advance contributions	30	137
Contributions deposit	269	5
Reinsurance balances payable	(321)	2,133
Accrued expenses and other liabilities	2,546	2,581
Due to Shareholders' Operations	5,286	12,800
	<u>13,180</u>	<u>26,486</u>
Net cash flows from operating activities	<u>13,180</u>	<u>26,486</u>
Net increase in cash and cash equivalents	<u>13,180</u>	<u>26,486</u>
Cash and cash equivalents at the beginning of the period	45,804	19,318
Cash and cash equivalents at the end of the period	<u>58,984</u>	<u>45,804</u>

Chairman

Acting Chief Financial Officer

Managing Director

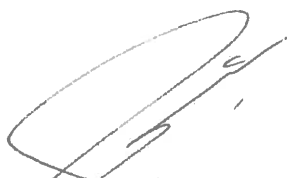
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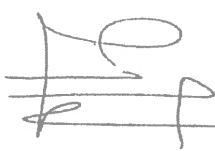
ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS (UNAUDITED)

For the twelve-month period ended 31 December 2016

		Twelve-month period ended 31 December	
	Notes	2016 SR' 000	2015 SR' 000
OPERATING ACTIVITIES			
Net income for the period		25,919	17,661
Adjustments for the period:			
Profit on held-to-maturity investments		(8,056)	(4,121)
Realised gains on FVIS investments		(215)	(1,464)
Unrealised gains on FVIS investments		(491)	(426)
		17,157	11,650
Changes in operating assets and liabilities:			
Due from Insurance Operations		(5,286)	(12,800)
Accrued expenses and other liabilities		1,383	(221)
		13,254	(1,371)
Zakat and income tax paid	11	(721)	(40)
Net cash from/(used in) operating activities		12,533	(1,411)
INVESTING ACTIVITIES			
Purchase of FVIS investments	7	(7,101)	(2,856)
Proceeds from disposal of FVIS investments		17,750	4,320
Advance for investment		331	(331)
Profit on held-to-maturity investments		5,417	5,075
Net cash from investing activities		16,397	6,208
FINANCING ACTIVITY			
Dividends paid	13	(17,500)	-
Net cash used in financing activity		(17,500)	-
Net increase in cash and cash equivalents		11,430	4,797
Cash and cash equivalents at the beginning of the period		11,463	6,666
Cash and cash equivalents at the end of the period		22,893	11,463


Chairman


Managing Director


Acting Chief Financial Officer

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

ALJAZIRA TAKAFUL TAAWUNI COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 December 2016

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

AlJazira Takaful Taawuni Company (the "Company"), is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia pursuant to the Council of Ministers' resolution No. 137 dated 27 Rabi' Al-Thani 1431H (corresponding to 12 April 2010) and Royal Decree No. M/23 dated 28 Rabi' Al-Thani 1431H corresponding to 13 April 2010. The Company obtained its Commercial Registration 4030251980 on 2 Ramadan 1434H corresponding to 10 July 2013 and Ministry of Commerce and Industry's Resolution dated 24 Sha'baan 1434H corresponding to 3 July 2013. The registered office address of the Company is:

Al Musadia Plaza (3), Al Madinah Road,
P.O. Box 6277, Jeddah 21442,
Kingdom of Saudi Arabia.

The objectives of the Company are to engage in providing insurance products including protection and saving insurance products and related services in accordance with its Articles of Association and applicable regulations in the Kingdom of Saudi Arabia. The Company received licence number TMN/34/201312 dated 15 Safar 1435H (corresponding to 18 December 2013) from the Saudi Arabian Monetary Agency (SAMA) to conduct insurance business. As at 31 December 2016, the Company is owned 97.64% (2015: 97.96%) by Saudi shareholders and 2.36% (2015: 2.04%) by non-Saudi shareholders.

The insurance portfolio and related assets and liabilities will be acquired from a founding shareholder by the Company on completion of valuation and approval by SAMA. Furthermore, in accordance with the Transitional Agreement (the "Agreement") between the Company and Bank Al Jazira ("a founding shareholder"), all the general and administrative costs up to the transfer of the insurance portfolio will be shared by the Company and the founding shareholder in the ratio of 17% and 83%, respectively. Currently, the Company is using furniture and fixtures of a founding shareholder. Moreover, in accordance with the Agreement, the Company was also receiving a management fee in respect of managing the insurance portfolio of the founding shareholder, at a rate ranging from 10% to 20% of total revenue of the founding shareholder's portfolio ("Portfolio Management fee"). The management fee is not effective for the period subsequent to 1 April 2015 as per the Agreement.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These interim condensed financial statements 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 consistent with those used for the preparation of annual financial statements.

These interim condensed financial statements for the twelve-month period ended 31 December 2016 should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2015. These are prepared under the historical cost convention except for the measurement at fair value of available-for-sale investments held to cover unit-linked liabilities and Fair Value through Income Statement (FVIS) investments.

The Company follows a fiscal year ending 31 December.

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

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 December 2016

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

(a) Basis of preparation (continued)

As per the by-laws of the Company and Saudi Arabian Insurance Regulations, surplus arising from the Insurance Operations is distributed as follows:

Transfer to Shareholders' Operations	90%
Transfer to Insurance Operations	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 broadly in order of liquidity. The interim condensed financial statements are expressed in Saudi 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.

Use of estimates and judgements

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments 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 estimate and judgments used by management in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2015.

(b) Summary of significant accounting policies

The accounting and risk management policies adopted in the preparation of these condensed interim financial statements are consistent with the Company's audited financial statements for the year ended 31 December 2015, except for the adoption of the amendments to existing standards mentioned below which had no financial impact on the interim condensed financial statements of the Company.

Certain comparative amounts have been reclassified / regrouped to conform with the current period's presentation. This did not have any impact on interim statement of changes in shareholders' equity for the period.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 December 2016

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

(b) Summary of significant accounting policies (continued)

New IFRS, International Financial Reporting and Interpretations Committee's interpretations (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):

<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 re-measured if the joint operator retains joint control.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 December 2016

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

(b) Summary of significant accounting policies (continued)

New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company (continued)

<u>Standard/ Amendments</u>	<u>Description</u>
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"> • The materiality requirements in IAS 1 • 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 • That entities have flexibility as to the order in which they present the notes to financial statements • 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. <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>
IAS 16 & IAS 38	<p>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.</p>
IAS 16, IAS 41 & IAS 20	<p>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.</p>
IAS 27	<p>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</p>
IFRS 5	<p>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.</p>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 December 2016

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

(b) Summary of significant accounting policies (continued)

New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company (continued)

<u>Standard/ Amendments</u>	<u>Description</u>
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 interim condensed 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.

(c) New IFRS, IFRIC and amendments thereof, 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 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.

<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 Unrealised Losses	1 January 2017

The management is currently assessing the implications of adopting the above mentioned standards, amendments or interpretations on the Company's financial statements.

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At 31 December 2016

3. CASH AND CASH EQUIVALENTS

	31 December 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
<i>Insurance Operations</i>		
Cash at bank	11,424	7,804
Murabaha deposits	47,560	38,000
	58,984	45,804
<i>Shareholders' Operations</i>		
Cash at bank	22,893	11,463

Cash and Murabaha deposits, except for an amount SR 3 million (2015: nil) are held with a founding shareholders.

4. HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments represent murabaha deposits with a maturity of three years made with a founding shareholder. The average commission rate on these investments at 31 December 2016 is 1.45% to 3.5% per annum (31 December 2015: 1.85% to 2.1% per annum). These investments will mature in 2017.

5. AVAILABLE-FOR-SALE INVESTMENTS HELD TO COVER UNIT-LINKED LIABILITIES

At 31 December 2016

	Initial cost value SR '000	Change in fair value SR '000	31 December 2016 (Unaudited) SR '000
<i>Insurance Operations</i>			
Al – Qawafel Fund	425	6	431
Al Jazira Diversified Aggressive Fund	54,384	1,558	55,942
Al Jazira Diversified Balanced Fund	11,759	246	12,005
Al Jazira Diversified Conservative Fund	1,549	26	1,575
	68,117	1,836	69,953

At 31 December 2015

	Initial cost value SR '000	Change in fair value SR '000	31 December 2015 (Audited) SR '000
<i>Insurance Operations</i>			
Al – Qawafel Fund	19	-	19
Al Jazira Diversified Aggressive Fund	32,653	(1,862)	30,791
Al Jazira Diversified Balanced Fund	5,837	(204)	5,633
Al Jazira Diversified Conservative Fund	672	(10)	662
	39,181	(2,076)	37,105

Investments of Insurance Operations comprises of units of mutual funds dominated in Saudi Riyals managed by a founding shareholder.

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5. AVAILABLE-FOR-SALE INVESTMENTS HELD TO COVER UNIT-LINKED LIABILITIES (continued)

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

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

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

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

The Company's available-for-sale investments are classified under Level 2 hierarchy and there are no transfers between levels during the period.

6. CONTRIBUTIONS RECEIVABLE, NET

	<i>31 December 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
<i>Insurance operations</i>		
Gross contributions receivable	250	1,108
Allowance for doubtful receivables	(28)	-
Contributions receivable, net	<u>222</u>	<u>1,108</u>

During the year a provision of SR 28 thousand was created in respect of gross contribution receivable (2015: nil).

7. FVIS INVESTMENTS

The fair value through income statement ("FVIS") investments represent investment in the 'Al Qawafel Fund' managed by a founding shareholder, amounting to SR 30,555 thousand (31 December 2015: SR 41,149 thousand), and investment in shares of companies listed on Tadawul, amounting to SR 651 thousand (31 December 2015: nil).

Movements in these investments are as follows:

	<i>31 December 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
Balance at beginning of the period/year	41,149	40,723
Purchases during the period/year	7,101	2,856
Disposals during the period/year	(17,535)	(2,856)
Changes in fair value during the period/year	491	426
Balance at end of the period/year	<u>31,206</u>	<u>41,149</u>

The Company's FVIS investments are classified under Level 1 and Level 2 hierarchy and there are no transfers between levels during the current or prior period.

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8. RESERVE FOR INSURANCE ACTIVITIES

Reserve for insurance activities is created, as per the report received from the Independent Actuary, as detailed below:

	<i>31 December 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
Balance at beginning of the period/year	37,700	11,991
Investible contributions	37,480	29,753
Technical reserve for insurance activities – net	(6,489)	(1,734)
Mathematical reserve – net	626	(234)
Change in fair value of available-for-sale investments (note 5)	1,836	(2,076)
Balance at the end of the period/year	<u>71,153</u>	<u>37,700</u>

9. OUTSTANDING CLAIMS

<i>31 December 2016 (Unaudited)</i>	<i>Gross SR '000</i>	<i>Reinsurers' share SR '000</i>	<i>Net SR '000</i>
Outstanding claims	10,084	(9,021)	1,063
Add: Incurred but not reported (IBNR) reserve	7,315	(2,988)	4,327
Total outstanding claims	<u>17,399</u>	<u>(12,009)</u>	<u>5,390</u>
<i>31 December 2015 (Audited)</i>	<i>Gross SR '000</i>	<i>Reinsurers' Share SR '000</i>	<i>Net SR '000</i>
Outstanding claims	1,417	(1,108)	309
Add: Incurred but not reported (IBNR) reserve	8,752	(4,858)	3,894
Total outstanding claims	<u>10,169</u>	<u>(5,966)</u>	<u>4,203</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 December 2016

10. TRANSACTIONS WITH RELATED PARTIES

Related parties represent major shareholders, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. All transactions with such related parties are conducted on normal terms and conditions.

- a) In addition to the disclosures set out in notes 1, 3, 4, 5, 6 and 7 following are the details of related party transactions during the twelve-month period:

<u>Related party</u>	<u>Nature of transaction</u>	<u>Amount of transaction</u>	
		<i>Twelve-month period ended 31 December 2016 (Unaudited) SR'000</i>	<i>Twelve-month period ended 31 December 2015 (Audited) SR'000</i>
Shareholders' Operations			
<i>Bank Al Jazira</i>	Profit earned on held-to-maturity investment	8,056	4,121
<i>AlJazira Capital</i>	Profit earned on mutual funds	491	426
<i>Founding shareholders</i>	Dividend paid	12,250	-
Insurance Operations			
<i>Bank Al Jazira</i>	Gross contribution written	35,821	34,166
	Investment income	1,203	-
	Portfolio management fee	-	1,638
<i>Key management personnel</i>	Salaries, benefits and allowances, net	947	911
	Gross contribution written	32	23

- b) Amount due from a related party represents receivable from Bank Al Jazira (founding shareholder) (see note 1).
- c) Contributions receivable shown in interim statement of financial position includes SR 43 thousand (31 December 2015: SR 870 thousand) from Bank Al Jazira (founding shareholder).

11. ZAKAT AND INCOME TAX

The Zakat and income tax payable by the Company has been calculated in accordance with Zakat and tax regulations in the Kingdom of Saudi Arabia.

The movement in the Zakat and income tax payable is as follows:

	<u>31 December 2016 (Unaudited) SR'000</u>	<u>31 December 2015 (Audited) SR'000</u>
Balance at the beginning of period/year	779	13
Zakat and income tax for the period/year	1,272	806
Zakat and income tax paid during the period/year	(721)	(40)
Balance at the end of the period/year	<u>1,330</u>	<u>779</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

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11. ZAKAT AND INCOME TAX (continued)

The differences between the financial and the Zakatable/taxable results are mainly due to certain adjustments in accordance with the relevant fiscal regulations.

Status of assessment

The Company has submitted its Zakat and income tax return for the period ended 31 December 2014 and for the year ended 31 December 2015 and obtained restricted certificates.

12. EARNINGS PER SHARE

The basic and diluted earnings per share have been calculated by dividing the net income for the period by the weighted average number of ordinary shares issued and outstanding at the period end.

Diluted earnings/(loss) per share is not applicable to the Company.

13. DIVIDEND

On 24 Rajab 1437H (corresponding to 1 May 2016), the Company's Board of Directors proposed that the Company pay a dividend of SR 0.5 per share totalling SR 17.5 million to its shareholders (31 December 2015: nil). This dividend proposal was approved by the shareholders in the Ordinary General Assembly Meeting held on 22 Shab'an 1437H (corresponding to 29 May 2016). Accordingly, the dividend payment was made on 7 Ramadan 1437H (corresponding to 12 June 2016).

14. SEGMENT INFORMATION

Consistent with the Company's internal reporting process, business segments have been approved by management in respect of the Company's activities, assets and liabilities as stated below.

Segment results do not include general and administrative expenses, portfolio management fee, investment income and other income. Segment assets do not include due from a related party and prepayments and other receivables.

Segment liabilities do not include accrued expenses and other liabilities, due to shareholders' operations, employees' end of service benefits and surplus from insurance operations.

The activities of Insurance Operations, which are all in the Kingdom of Saudi Arabia, are reported under two business units, as detailed below:

- Insurance - individual segment offers life insurance products on an individual basis including unit linked investment oriented products.
- Insurance - group segment offers life protection programs to the members of organizations on a group basis.

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

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14. SEGMENT INFORMATION (continued)

	<i>For the three-month period ended 31 December 2016 (Unaudited)</i>		
	<i>Individual SR'000</i>	<i>Group SR'000</i>	<i>Total SR'000</i>
INSURANCE REVENUE			
Gross written contributions	8,599	404	9,003
Investible contributions, net	(9,338)	-	(9,338)
Unit reserve	2,689	-	2,689
Net insurance contributions	1,950	404	2,354
Contributions ceded	(670)	-	(670)
Net written contributions	1,280	404	1,684
Change in unearned contributions – net	-	5,157	5,157
Change in mathematical reserve	(570)	-	(570)
Net insurance revenue	710	5,561	6,271
CLAIMS AND EXPENSES			
Gross claims paid	-	(2,906)	(2,906)
Reinsurance share of claims paid	-	2,213	2,213
Net claims paid	-	(693)	(693)
Change in outstanding claims including IBNR, net	(70)	1,172	1,102
Net claims (incurred)/recovered	(70)	479	409
Policy acquisition costs	(414)	-	(414)
Supervision and inspection fees	(43)	(2)	(45)
Total claims and expenses	(527)	477	(50)
Underwriting surplus for the period	183	6,038	6,221
General and administrative expenses			(1,104)
Investment income			368
Other income			440
SURPLUS FOR THE PERIOD FROM INSURANCE OPERATIONS			5,925

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 December 2016

14. SEGMENT INFORMATION (continued)

	<i>For the three-month period ended 31 December 2015 (Unaudited)</i>		
	<i>Individual SR '000</i>	<i>Group SR '000</i>	<i>Total SR '000</i>
INSURANCE REVENUE			
Gross written contributions	10,880	813	11,693
Investible contributions, net	(9,218)	-	(9,218)
Unit reserve	506	-	506
Net insurance contributions	2,168	813	2,981
Contributions ceded	(113)	(247)	(360)
Net written contributions	2,055	566	2,621
Change in unearned contributions - net	-	3,863	3,863
Change in mathematical reserve	470	-	470
Net insurance revenue	2,525	4,429	6,954
CLAIMS AND EXPENSES			
Gross claims paid	-	(1,091)	(1,091)
Reinsurance share of claims paid	-	926	926
Net claims paid	-	(165)	(165)
Change in outstanding claims including IBNR, net	-	(44)	(44)
Net claims incurred	-	(209)	(209)
Policy acquisition costs	(128)	(400)	(528)
Supervision and inspection fees	(54)	(5)	(59)
Total claims and expenses	(182)	(614)	(796)
Underwriting surplus for the period	2,343	3,815	6,158
General and administrative expenses			(1,583)
Other income			295
SURPLUS FOR THE PERIOD FROM INSURANCE OPERATIONS			4,870

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 December 2016

14. SEGMENT INFORMATION (continued)

	<i>For the twelve-month period ended 31 December 2016 (Unaudited)</i>		
	<i>Individual SR '000</i>	<i>Group SR '000</i>	<i>Total SR '000</i>
INSURANCE REVENUE			
Gross written contributions	39,002	37,164	76,166
Investible contributions, net	(37,480)	-	(37,480)
Unit reserve	6,489	-	6,489
Net insurance contributions	8,011	37,164	45,175
Contributions ceded	(1,088)	(14,199)	(15,287)
Net written contributions	6,923	22,965	29,888
Change in unearned contributions – net	-	(2,253)	(2,253)
Change in mathematical reserve	(626)	-	(626)
Net insurance revenue	6,297	20,712	27,009
CLAIMS AND EXPENSES			
Gross claims paid	-	(9,378)	(9,378)
Reinsurance share of claims paid	-	7,615	7,615
Net claims paid	-	(1,763)	(1,763)
Change in outstanding claims including IBNR, net	(70)	(1,117)	(1,187)
Net claims incurred	(70)	(2,880)	(2,950)
Policy acquisition costs	(2,094)	-	(2,094)
Supervision and inspection fees	(195)	(186)	(381)
Total claims and expenses	(2,359)	(3,066)	(5,425)
Underwriting surplus for the period	3,938	17,646	21,584
General and administrative expenses			(5,032)
Investment income			1,203
Other income			3,770
SURPLUS FOR THE PERIOD FROM INSURANCE OPERATIONS			21,525

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 December 2016

14. SEGMENT INFORMATION (continued)

	<i>For the twelve-month period ended 31 December 2015 (Unaudited)</i>		
	<i>Individual SR '000</i>	<i>Group SR '000</i>	<i>Total SR '000</i>
INSURANCE REVENUE			
Gross written contributions	35,415	35,733	71,148
Investible contributions, net	(29,753)	-	(29,753)
Unit reserve	1,734	-	1,734
Net insurance contributions	7,396	35,733	43,129
Contributions ceded	(360)	(17,972)	(18,332)
Net written contributions	7,036	17,761	24,797
Change in unearned contributions – net	-	(2,046)	(2,046)
Change in mathematical reserve	234	-	234
Net insurance revenue	7,270	15,715	22,985
CLAIMS AND EXPENSES			
Gross claims paid	-	(7,253)	(7,253)
Reinsurance share of claims paid	-	6,146	6,146
Net claims paid	-	(1,107)	(1,107)
Change in outstanding claims including IBNR, net	-	(1,664)	(1,664)
Net claims incurred	-	(2,771)	(2,771)
Policy acquisition costs	(1,505)	(400)	(1,905)
Supervision and inspection fees	(177)	(179)	(356)
Total claims and expenses	(1,682)	(3,350)	(5,032)
Underwriting surplus for the period	5,588	12,365	17,953
General and administrative expenses			(6,421)
Portfolio management fee			1,638
Other income			1,789
SURPLUS FOR THE PERIOD FROM INSURANCE OPERATIONS			14,959

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 December 2016

14. SEGMENT INFORMATION (continued)

	<i>As at 31 December 2016 (Unaudited)</i>		
	<i>Individual</i>	<i>Group</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	54,804	4,180	58,984
Available-for-sale investments held to cover unit link liabilities	69,953	-	69,953
Contributions receivable, net	-	222	222
Reinsurance share of unearned contributions	-	6,912	6,912
Reinsurance share of outstanding claims including IBNR	30	11,979	12,009
	<u>124,787</u>	<u>23,293</u>	<u>148,080</u>
Unallocated assets:			
Due from a related party			3,665
Prepayments and other receivables			288
TOTAL INSURANCE OPERATIONS' ASSETS			<u><u>152,033</u></u>
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Reserves for insurance activities	71,153	-	71,153
Unearned contributions	-	17,893	17,893
Outstanding claims including IBNR	30	17,369	17,399
Advance contributions	386	-	386
Contributions deposit	459	-	459
Reinsurance balances payable	277	10,892	11,169
	<u>72,305</u>	<u>46,154</u>	<u>118,459</u>
Unallocated liabilities and surplus:			
Accrued expenses and other liabilities			9,673
Due to shareholders' operations			19,825
Employees' end of service benefits			1,924
Surplus from insurance operations			2,152
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			<u><u>152,033</u></u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

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14. SEGMENT INFORMATION (continued)

	<i>As at 31 December 2015 (Audited)</i>		
	<i>Individual</i>	<i>Group</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	30,159	15,645	45,804
Available-for-sale investments held to cover unit link liabilities	37,105	-	37,105
Contributions receivable, net	-	1,108	1,108
Reinsurance share of unearned contributions	-	8,486	8,486
Reinsurance share of outstanding claims including IBNR	-	5,966	5,966
	<u>67,264</u>	<u>31,205</u>	<u>98,469</u>
Unallocated assets:			
Due from a related party			2,051
Prepayments and other receivables			246
TOTAL INSURANCE OPERATIONS' ASSETS			<u><u>100,766</u></u>
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Reserves for insurance activities	37,700	-	37,700
Unearned contributions	-	17,215	17,215
Outstanding claims including IBNR	-	10,169	10,169
Advance contributions	356	-	356
Contributions deposit	190	-	190
Reinsurance balances payable	113	11,377	11,490
	<u>38,359</u>	<u>38,761</u>	<u>77,120</u>
Unallocated liabilities and surplus:			
Accrued expenses and other liabilities			7,127
Due to shareholders' operations			14,539
Employees' end of service benefits			357
Surplus from insurance operations			1,623
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			<u><u>100,766</u></u>

15. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors on 19 Rabi' II 1438H, corresponding to 17 January 2017.