

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

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH AND SIX-MONTH
PERIODS ENDED 30 JUNE 2016**

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2016

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**Al-Bassam & Al-Nemer
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Building a better
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 30 June 2016 and the related interim statements of insurance operations and accumulated surplus, shareholders' operations and shareholders' comprehensive income for the three-month and six-month periods then ended, and the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the six-month period then ended and related notes 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 Standards 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
License No. 337



for Ernst & Young

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Certified Public Accountant
Licence No. 356



24 July 2016
19 Shawwal 1437 H
Jeddah, Kingdom of Saudi Arabia

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

		30 June 2016 (Unaudited) SR '000	31 December 2015 (Audited) SR '000
	Notes		
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	40,118	45,804
Available-for-sale investments held to cover unit-linked liabilities	5	53,305	37,105
Contributions receivable, net	6	15,221	1,108
Reinsurance share of unearned contributions		9,031	8,486
Reinsurance share of outstanding claims including IBNR	9	6,891	5,966
Due from a related party	10(b)	4,092	2,051
Prepayments and other receivables		302	246
Total Insurance Operations' Assets		128,960	100,766
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	6,618	11,463
Advance for investment		-	331
Held-to-maturity investments	4	273,925	270,261
FVIS investments	7	31,003	41,149
Prepayments		150	-
Due from Insurance Operations		22,526	14,539
Statutory deposit		35,000	35,000
Total Shareholders' Assets		369,222	372,743
TOTAL ASSETS		498,182	473,509

Chairman

Chief Executive Officer

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 30 June 2016

		30 June 2016 (Unaudited) SR '000	31 December 2015 (Audited) SR '000
	Notes		
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance Operations' Liabilities			
Reserve for insurance activities	8	54,154	37,700
Unearned contributions		17,458	17,215
Outstanding claims including IBNR	9	12,027	10,169
Advance contributions		366	356
Contributions deposit		548	190
Reinsurance balances payable		12,092	11,490
Accrued expenses and other liabilities		6,858	7,127
Due to Shareholders' Operations		22,526	14,539
Employees' end of service benefits		461	357
Total Insurance Operations' Liabilities		126,490	99,143
Insurance Operations' Surplus			
Surplus from Insurance Operations		2,470	1,623
Total Insurance Operations' Liabilities and Surplus		128,960	100,766
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' Liabilities			
Accrued expenses and other liabilities		2,950	247
Accrued zakat and income tax	11	877	779
Total Shareholders' Liabilities		3,827	1,026
Shareholders' Equity			
Share capital		350,000	350,000
Statutory reserve		5,487	5,487
Retained earnings		9,908	16,230
Total Shareholders' Equity		365,395	371,717
Total Shareholders' Liabilities and Equity		369,222	372,743
TOTAL INSURANCE OPERATIONS' LIABILITIES, SURPLUS, SHAREHOLDERS' LIABILITIES AND EQUITY		498,182	473,509

Chairman

Acting Chief Financial Officer

Chief Executive 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 AND ACCUMULATED SURPLUS (UNAUDITED)

For the three-month and six-month periods ended 30 June 2016

	<i>Notes</i>	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
		<i>2016 SR'000</i>	<i>2015 SR'000</i>	<i>2016 SR'000</i>	<i>2015 SR'000</i>
INSURANCE REVENUE					
Gross written contributions		27,830	11,519	39,161	20,289
Investible contributions, net		(9,714)	(7,134)	(18,798)	(12,095)
Net insurance contributions		18,116	4,385	20,363	8,194
Contributions ceded		(8,901)	(2,339)	(9,254)	(2,450)
Net written contributions		9,215	2,046	11,109	5,744
Change in unearned contributions - net		(3,069)	3,438	302	4,329
Change in reserve for insurance activities		1,194	81	2,167	(314)
Net insurance revenue		7,340	5,565	13,578	9,759
CLAIMS AND EXPENSES					
Gross claims paid		(3,940)	(1,945)	(5,585)	(2,929)
Reinsurance share of claims paid		3,535	1,615	4,783	2,479
Net claims paid		(405)	(330)	(802)	(450)
Change in outstanding claims including IBNR, net		(332)	(242)	(933)	(590)
Net claims incurred		(737)	(572)	(1,735)	(1,040)
Policy acquisition costs		(643)	(353)	(1,175)	(636)
Supervision and inspection fees		(139)	(57)	(196)	(101)
Total claims and expenses		(1,519)	(982)	(3,106)	(1,777)
Underwriting surplus for the period		5,821	4,583	10,472	7,982
General and administrative expenses		(1,276)	(1,701)	(2,699)	(3,462)
Portfolio management fee	1&10	-	-	-	536
Investment income		251	-	468	-
Other income		418	542	1,503	1,009
SURPLUS FOR THE PERIOD FROM INSURANCE OPERATIONS		5,214	3,424	9,744	6,065
Shareholders' share of surplus from Insurance Operations	2(a)	(4,693)	(3,082)	(8,770)	(5,459)
Surplus for the period		521	342	974	606
Surplus from Insurance Operations at the beginning of the period		2,076	391	1,623	127
Distribution of surplus to policyholders		(127)	-	(127)	-
Accumulated surplus from Insurance Operations at the end of the period		2,470	733	2,470	733

Chairman

Acting Chief Financial Officer

Chief Executive Officer

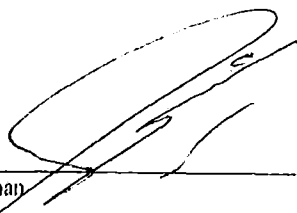
The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS (UNAUDITED)

For the three-month and six-month periods ended 30 June 2016

	Notes	Three-month period ended 30 June		Six-month period ended 30 June	
		2016 SR'000	2015 SR'000	2016 SR'000	2015 SR'000
Shareholders' share of surplus from Insurance Operations	2(a)	4,693	3,082	8,770	5,459
Profit on held-to-maturity investments	10	1,786	1,013	3,664	2,014
Realised gains on investments		163	670	215	670
Unrealised gains on FVIS investments		80	830	288	920
Dividend income		23	-	23	-
Other income		25	10	41	21
Total income		6,770	5,605	13,001	9,084
General and administrative expenses		(491)	(545)	(1,004)	(1,051)
NET INCOME FOR THE PERIOD		6,279	5,060	11,997	8,033
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	0.179	0.145	0.342	0.229


Chairman



Acting Chief Financial Officer


Chief Executive Officer

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

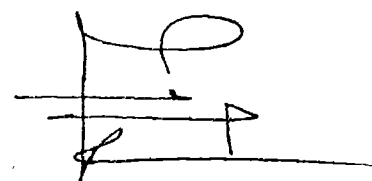
ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

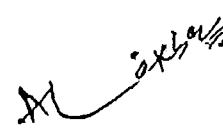
INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
(UNAUDITED)

For the three-month and six-month periods ended 30 June 2016

	<i>Three-month period ended</i> <i>30 June</i>		<i>Six-month period ended</i> <i>30 June</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	6,279	5,060	11,997	8,033
Zakat and income tax for the period	(542)	(100)	(819)	(248)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>5,737</u>	<u>4,960</u>	<u>11,178</u>	<u>7,785</u>


Chairman


Chief Executive Officer


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 CHANGES IN SHAREHOLDERS' EQUITY

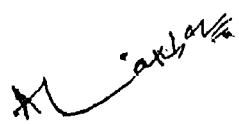
For the six-month period ended 30 June 2016

	<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	-	-	11,997	11,997
Dividend (note 13)	-	-	(17,500)	(17,500)
Zakat and income tax for the period (note 11)	-	-	(819)	(819)
Balance as at 30 June 2016 (Unaudited)	<u>350,000</u>	<u>5,487</u>	<u>9,908</u>	<u>365,395</u>

	<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	-	-	8,033	8,033
Zakat and income tax for the period	-	-	(248)	(248)
Balance as at 30 June 2015 (Unaudited)	<u>350,000</u>	<u>1,955</u>	<u>10,692</u>	<u>362,647</u>


 Chairman


 Chief Executive Officer


 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)**

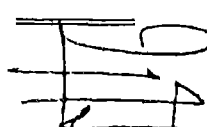
**INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
(UNAUDITED)**

For the six-month period ended 30 June 2016

	<i>Six-month period ended 30 June</i>	
	<i>2016</i>	<i>2015</i>
	<i>SR' 000</i>	<i>SR' 000</i>
OPERATING ACTIVITIES		
Surplus for the period	974	606
Adjustments for the period:		
Employees' end of service benefits, net	104	105
Allowance for doubtful receivables	86	-
Reinsurance share of unearned contributions	(545)	(199)
Unearned contributions	243	(5,334)
Distribution of surplus to policyholders	(127)	-
	<u>735</u>	<u>(4,822)</u>
Changes in operating assets and liabilities:		
Available-for-sale investments held to cover unit-linked liabilities	(16,200)	(12,478)
Contributions receivable, net	(14,199)	(159)
Reinsurance share of outstanding claims including IBNR	(925)	(3,577)
Due from a related party	(2,011)	(4,429)
Prepayments and other receivables	(56)	(147)
Reserve for insurance activities	16,454	13,270
Outstanding claims including IBNR	1,858	4,167
Advance contributions	10	54
Contributions deposit	358	54
Reinsurance balances payable	602	(623)
Accrued expenses and other liabilities	(269)	(568)
Due to Shareholders' Operations	7,987	5,464
	<u>(5,686)</u>	<u>(3,794)</u>
Net cash used in operating activities		
	<u>(5,686)</u>	<u>(3,794)</u>
Net decrease in cash and cash equivalents		
	<u>(5,686)</u>	<u>(3,794)</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>40,118</u>	<u>15,524</u>


Chairman


Acting Chief Financial Officer


Chief Executive 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 SHAREHOLDERS' CASH FLOWS (UNAUDITED)

For the six-month period ended 30 June 2016

		<i>Six-month period ended 30 June</i>	
	<i>Notes</i>	<i>2016 SR' 000</i>	<i>2015 SR' 000</i>
OPERATING ACTIVITIES			
Net income for the period		11,997	8,033
Adjustments for the period:			
Profit on held-to-maturity investments		(3,664)	(2,014)
Realised gains on FVIS investments		(215)	(670)
Unrealised gains on FVIS investments		(288)	(920)
		<u>7,830</u>	<u>4,429</u>
Changes in operating assets and liabilities:			
Prepayments		(150)	(150)
Due from Insurance Operations		(7,987)	(5,464)
Accrued expenses and other liabilities		<u>2,703</u>	<u>521</u>
		<u>2,396</u>	<u>(664)</u>
Zakat and income tax paid	11	<u>(721)</u>	<u>(40)</u>
Net cash from/(used in) operating activities		<u>1,675</u>	<u>(704)</u>
INVESTING ACTIVITIES			
Purchase of FVIS investments	7	(7,101)	(2,705)
Proceeds from disposal of FVIS investments		17,750	1,772
Advance for investment		<u>331</u>	<u>-</u>
Net cash from/(used in) investing activities		<u>10,980</u>	<u>(933)</u>
FINANCING ACTIVITY			
Dividends paid	13	(17,500)	-
Net cash used in financing activity		<u>(17,500)</u>	<u>-</u>
Net decrease in cash and cash equivalents		<u>(4,845)</u>	<u>(1,637)</u>
Cash and cash equivalents at the beginning of the period		<u>11,463</u>	<u>6,666</u>
Cash and cash equivalents at the end of the period		<u>6,618</u>	<u>5,029</u>


Chairman


Acting Chief Financial Officer


Chief Executive Officer

The accompanying notes 1 to 14 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 30 June 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' 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 Saudi Arabian Monetary Agency (SAMA) to conduct insurance business.

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 cost up to transfer of 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 fixture 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 the rate ranging from 10% to 20% of total revenue of the founding shareholder's portfolio ("Portfolio Management fee"). The management fee is not effective after the period ended 31 March 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 six-month period ended 30 June 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 30 June 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. Transfer of 20% profits to statutory reserve will be done annually at year end.

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 30 June 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 30 June 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 30 June 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 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.

(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 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

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At 30 June 2016

3. CASH AND CASH EQUIVALENTS

	30 June 2016 (Unaudited) SR '000	31 December 2015 (Audited) SR '000
<i>Insurance Operations</i>		
Cash at bank	5,118	7,804
Murabaha deposits	35,000	38,000
	<u>40,118</u>	<u>45,804</u>
<i>Shareholders' Operations</i>		
Cash at bank	<u>6,618</u>	<u>11,463</u>

Cash at bank and Murabaha deposits are held with a founding shareholder.

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 30 June 2016 is 1.45% to 2.57% 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 30 June 2016

	Initial cost value SR '000	Change in fair value SR '000	30 June 2016 (Unaudited) SR '000
<i>Insurance Operations</i>			
Al – Qawafel Fund	270	1	271
Al Jazira Diversified Aggressive Fund	43,358	(170)	43,188
Al Jazira Diversified Balanced Fund	8,738	(10)	8,728
Al Jazira Diversified Conservative Fund	1,116	2	1,118
	<u>53,482</u>	<u>(177)</u>	<u>53,305</u>

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
	<u>39,181</u>	<u>(2,076)</u>	<u>37,105</u>

Investment of Insurance operations comprises of units of mutual funds dominated in Saudi Riyal managed by a founding shareholder.

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At 30 June 2016

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).

Level3: 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>30 June 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
<i>Insurance operations</i>		
Gross contributions receivable	15,307	1,108
Allowance for doubtful receivables	(86)	-
	<u>15,221</u>	<u>1,108</u>
Contributions receivable, net	<u>15,221</u>	<u>1,108</u>

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 30,117 thousand (31 December 2015: SR 41,149 thousand), and investment in shares of companies listed on stock exchange of Saudi Arabia, amounting to SR 886 thousand (31 December 2015: Nil).

Movement in these investments is as follows:

	<i>30 June 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	288	426
	<u>31,003</u>	<u>41,149</u>
Balance at end of the period/year	<u>31,003</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 period.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 2016

8. RESERVE FOR INSURANCE ACTIVITIES

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

	<i>30 June 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	18,798	29,753
Technical reserve for insurance activities – net	(2,465)	(1,734)
Mathematical reserve – net	298	(234)
Change in fair value of available-for-sale investments (note 5)	(177)	(2,076)
Balance at the end of the period/year	<u>54,154</u>	<u>37,700</u>

9. OUTSTANDING CLAIMS

<i>30 June 2016 (Unaudited)</i>	<i>Gross SR '000</i>	<i>Reinsurers' share SR '000</i>	<i>Net SR '000</i>
Outstanding claims	3,187	(2,517)	670
Add: Incurred but not reported (IBNR) reserve	8,840	(4,374)	4,466
Total outstanding claims	<u>12,027</u>	<u>(6,891)</u>	<u>5,136</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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At 30 June 2016

10. TRANSACTIONS WITH RELATED PARTIES

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

<u>Related party</u>	<u>Nature of transaction</u>	<u>Amount of transaction</u>	
		<i>Six-month period ended 30 June 2016 (Unaudited) SR'000</i>	<i>Six-month period ended 30 June 2015 (Unaudited) SR'000</i>
Shareholders' Operations			
<i>Bank Al Jazira</i>	Profit earned on held-to-maturity investment	3,664	2,014
<i>AlJazira Capital</i>	Profit earned on mutual funds	467	186
<i>Founding shareholders</i>	Dividend paid	10,500	-
Insurance Operations			
<i>Bank Al Jazira</i>	Gross contribution written	17,714	3,391
	Investment income	468	-
	Portfolio management fee	-	536
<i>Key management personnel</i>	Salaries, benefits and allowances	3,273	1,950
	Gross contribution written	15	10

- b) Amount due from a related party represents receivable from Bank Al Jazira (founding shareholder) on account of general and administrative expenses reimbursed (see note 1).
- c) Contribution receivable includes SR 14,887 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 regulations in Kingdom of Saudi Arabia.

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

	<i>30 June 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
Balance at the beginning of period/year	779	13
Zakat and income tax for the period /year	819	806
Zakat and income tax paid during the period /year	(721)	(40)
Balance at the end of the period /year	877	779

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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 to pay a dividend of SR 0.5 per share totalling SR 17.5 million to its shareholders (30 June 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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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2016

14. SEGMENT INFORMATION (continued)

	<i>For the three-month period ended 30 June 2016 (Unaudited)</i>		
	<i>Individual SR'000</i>	<i>Group SR'000</i>	<i>Total SR'000</i>
INSURANCE REVENUE			
Gross written contributions	10,639	17,191	27,830
Investible contributions, net	(9,714)	-	(9,714)
Net insurance contributions	925	17,191	18,116
Contributions ceded	(141)	(8,760)	(8,901)
Net written contributions	784	8,431	9,215
Change in unearned contributions – net	-	(3,069)	(3,069)
Change in reserve for insurance activities	1,194	-	1,194
Net insurance revenue	1,978	5,362	7,340
CLAIMS AND EXPENSES			
Gross claims paid	-	(3,940)	(3,940)
Reinsurance share of claims paid	-	3,535	3,535
Net claims paid	-	(405)	(405)
Change in outstanding claims including IBNR, net	-	(332)	(332)
Net claims incurred	-	(737)	(737)
Policy acquisition costs	(643)	-	(643)
Supervision and inspection fees	(54)	(85)	(139)
Total claims and expenses	(697)	(822)	(1,519)
Underwriting surplus for the period	1,281	4,540	5,821
General and administrative expenses			(1,276)
Investment income			251
Other income			418
SURPLUS FOR THE PERIOD FROM INSURANCE OPERATIONS			5,214

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
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14. SEGMENT INFORMATION (continued)

	<i>For the three-month period ended 30 June 2015 (Unaudited)</i>		
	<i>Individual SR '000</i>	<i>Group SR '000</i>	<i>Total SR '000</i>
INSURANCE REVENUE			
Gross written contributions	8,753	2,766	11,519
Investible contributions, net	(7,134)	-	(7,134)
Net insurance contributions	1,619	2,766	4,385
Contributions ceded	(86)	(2,253)	(2,339)
Net written contributions	1,533	513	2,046
Change in unearned contributions - net	-	3,438	3,438
Change in reserve for insurance activities	81	-	81
Net insurance revenue	1,614	3,951	5,565
CLAIMS AND EXPENSES			
Gross claims paid	-	(1,945)	(1,945)
Reinsurance share of claims paid	-	1,615	1,615
Net claims paid	-	(330)	(330)
Change in outstanding claims including IBNR, net	-	(242)	(242)
Net claims incurred	-	(572)	(572)
Policy acquisition costs	(353)	-	(353)
Supervision and inspection fees	(44)	(13)	(57)
Total claims and expenses	(397)	(585)	(982)
Underwriting surplus for the period	1,217	3,366	4,583
General and administrative expenses			(1,701)
Other income			542
SURPLUS FOR THE PERIOD FROM INSURANCE OPERATIONS			3,424

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14. SEGMENT INFORMATION (continued)

	<i>For the six-month period ended 30 June 2016 (Unaudited)</i>		
	<i>Individual SR '000</i>	<i>Group SR '000</i>	<i>Total SR '000</i>
INSURANCE REVENUE			
Gross written contributions	20,696	18,465	39,161
Investible contributions, net	(18,798)	-	(18,798)
Net insurance contributions	1,898	18,465	20,363
Contributions ceded	(267)	(8,987)	(9,254)
Net written contributions	1,631	9,478	11,109
Change in unearned contributions – net	-	302	302
Change in reserve for insurance activities	2,167	-	2,167
Net insurance revenue	3,798	9,780	13,578
CLAIMS AND EXPENSES			
Gross claims paid	-	(5,585)	(5,585)
Reinsurance share of claims paid	-	4,783	4,783
Net claims paid	-	(802)	(802)
Change in outstanding claims including IBNR, net	-	(933)	(933)
Net claims incurred	-	(1,735)	(1,735)
Policy acquisition costs	(1,175)	-	(1,175)
Supervision and inspection fees	(104)	(92)	(196)
Total claims and expenses	(1,279)	(1,827)	(3,106)
Underwriting surplus for the period	2,519	7,953	10,472
General and administrative expenses			(2,699)
Investment income			468
Other income			1,503
SURPLUS FOR THE PERIOD FROM INSURANCE OPERATIONS			9,744

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2016

14. SEGMENT INFORMATION (continued)

	<i>Six-month period ended 30 June 2015 (Unaudited)</i>		
	<i>Individual SR '000</i>	<i>Group SR '000</i>	<i>Total SR '000</i>
INSURANCE REVENUE			
Gross written contributions	15,798	4,491	20,289
Investible contributions, net	(12,095)	-	(12,095)
Net insurance contributions	3,703	4,491	8,194
Contributions ceded	(147)	(2,303)	(2,450)
Net written contributions	3,556	2,188	5,744
Change in unearned contributions - net	-	4,329	4,329
Change in reserve for insurance activities	(314)	-	(314)
Net insurance revenue	3,242	6,517	9,759
CLAIMS AND EXPENSES			
Gross claims paid	-	(2,929)	(2,929)
Reinsurance share of claims paid	-	2,479	2,479
Net claims paid	-	(450)	(450)
Change in outstanding claims including IBNR, net	-	(590)	(590)
Net claims incurred	-	(1,040)	(1,040)
Policy acquisition costs	(636)	-	(636)
Supervision and inspection fees	(79)	(22)	(101)
Total claims and expenses	(715)	(1,062)	(1,777)
Underwriting surplus for the period	2,527	5,455	7,982
General and administrative expenses			(3,462)
Portfolio management fee			536
Other income			1,009
SURPLUS FOR THE PERIOD FROM INSURANCE OPERATIONS			6,065

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 2016

14. SEGMENT INFORMATION (continued)

	<i>As at 30 June 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	39,847	271	40,118
Available-for-sale investments held to cover unit link liabilities	53,305	-	53,305
Contributions receivable, net	-	15,221	15,221
Reinsurance share of unearned contributions	-	9,031	9,031
Reinsurance share of outstanding claims including IBNR	-	6,891	6,891
	<u>93,152</u>	<u>31,414</u>	<u>124,566</u>
Unallocated assets:			
Due from a related party			4,092
Prepayments and other receivable			302
TOTAL INSURANCE OPERATIONS' ASSETS			<u><u>128,960</u></u>
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Reserves for insurance activities	54,154	-	54,154
Unearned contributions	-	17,458	17,458
Outstanding claims including IBNR	-	12,027	12,027
Advance contributions	366	-	366
Contributions deposit	548	-	548
Reinsurance balances payable	267	11,825	12,092
	<u>55,335</u>	<u>41,310</u>	<u>96,645</u>
Unallocated liabilities and surplus:			
Accrued expenses and other liabilities			6,858
Due to shareholders' operations			22,526
Employees' end of service benefits			461
Surplus from insurance operations			2,470
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			<u><u>128,960</u></u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2016

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 receivable			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 Chairman of the Board of Directors on behalf of the Board of Directors on 24 July 2016, corresponding to 19 Shawwal 1437H.