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

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2015

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2015**

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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 SAUDIA 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 September 2015, and the related interim statements of insurance operations and accumulated surplus, shareholders' operations, and comprehensive income for the three-month and nine-month periods then ended, and the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the nine-month period then ended, and related notes from 1 to 13 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 Information issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with Generally Accepted Auditing Standards in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

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

Emphasis of matter

We draw attention to the fact that 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
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19 October 2015
6 Muharram 1437H
Jeddah, Kingdom of Saudi Arabia




ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2015


		30 September 2015 (Unaudited) SR '000	31 December 2014 (Audited) SR '000
	Notes		
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	31,833	19,318
Available-for-sale investments held to cover unit-linked liabilities	5	29,050	10,953
Contributions receivable	9 (c)	17,952	442
Reinsurance share of unearned contributions		778	156
Reinsurance share of outstanding claims including IBNR	8	5,019	1,998
Due from a related party	9(b)	2,375	2,142
Other receivables		158	80
Total Insurance Operations' Assets		87,165	35,089
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	10,135	6,666
Held-to-maturity investments	4	271,529	271,215
FVIS investments	6	41,006	40,723
Prepayments		75	-
Due from Insurance Operations		10,823	1,739
Statutory deposit		35,000	35,000
Total Shareholders' Assets		368,568	355,343
TOTAL ASSETS		455,733	390,432



Chairman



Senior Finance Manager



Chief Executive Officer

The accompanying notes 1 to 13 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 SEPTEMBER 2015

		30 September 2015 (Unaudited) SR '000	31 December 2014 (Audited) SR '000
	Notes		
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance Operations' Liabilities			
Reserve for insurance activities	7	29,907	11,991
Unearned contributions		25,425	9,862
Outstanding claims including IBNR	8	9,179	4,537
Advance contributions		516	219
Contributions deposit		406	185
Reinsurance balances payable		3,572	1,736
Accrued expenses and other liabilities		5,894	4,546
Due to Shareholders' Operations		10,823	1,739
Employees' end of service benefits		307	147
Total Insurance Operations' Liabilities		86,029	34,962
Insurance Operations' Surplus			
Surplus from Insurance Operations		1,136	127
Total Insurance Operations' Liabilities and Surplus		87,165	35,089
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' Liabilities			
Accrued expenses and other liabilities		1,357	468
Accrued Zakat and income tax	10	543	13
Total Shareholders' Liabilities		1,900	481
Shareholders' Equity			
Share capital		350,000	350,000
Statutory reserve		1,955	1,955
Retained earnings		14,713	2,907
Total Shareholders' Equity		366,668	354,862
Total Shareholders' Liabilities and Equity		368,568	355,343
TOTAL INSURANCE OPERATIONS' LIABILITIES, SURPLUS, SHAREHOLDERS' LIABILITIES AND EQUITY		455,733	390,432

Chairman

Chief Executive Officer

Senior Finance Manager

The accompanying notes 1 to 13 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 NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2015

Notes	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
INSURANCE REVENUE				
Gross written contributions	39,166	20,422	59,455	25,342
Investible contributions, net	(8,440)	(3,261)	(20,535)	(6,260)
Net insurance contributions	30,726	17,161	38,920	19,082
Contributions ceded	(5,286)	(901)	(8,940)	(943)
Net written contributions	25,440	16,260	29,980	18,139
Change in unearned contributions – net	(20,474)	(10,355)	(14,941)	(10,381)
Reserve for insurance activities	1,306	(318)	992	(1,221)
Net insurance revenue	6,272	5,587	16,031	6,537
CLAIMS AND EXPENSES				
Gross claims paid	(3,233)	-	(6,162)	-
Reinsurance share of claims paid	2,741	-	5,220	-
Net paid claims	(492)	-	(942)	-
Change in outstanding claims including IBNR, net	(1,030)	(1,408)	(1,620)	(1,410)
Net claims incurred	(1,522)	(1,408)	(2,562)	(1,410)
Policy acquisition costs	(741)	(220)	(1,377)	(487)
Supervision and inspection fees	(196)	(102)	(297)	(127)
Total claims and expenses	(2,459)	(1,730)	(4,236)	(2,024)
Underwriting surplus for the period	3,813	3,857	11,795	4,513
General and administrative expenses	(1,376)	(1,108)	(4,838)	(3,298)
Portfolio management fee	1,102	533	1,638	2,795
Other income	485	71	1,494	71
Surplus for the period from Insurance Operations	4,024	3,353	10,089	4,081
Shareholders' share of surplus from Insurance Operations	(3,621)	(3,018)	(9,080)	(3,673)
Surplus for the period	403	335	1,009	408
Surplus from Insurance Operations at the beginning of the period	733	73	127	-
Accumulated surplus from insurance operation at the end of the period	1,136	408	1,136	408

Chairman

Chief Executive Officer


Senior Finance Manager


The accompanying notes 1 to 13 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 NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2015

	Notes	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
		SR '000	SR '000	SR '000	SR '000
REVENUE					
Shareholders' share of surplus from Insurance Operations	2 (a)	3,621	3,018	9,080	3,673
Profit on held-to-maturity investments		1,022	587	3,036	4,787
Realised gain on investments		794	2,067	1,464	2,869
Unrealised (loss) / gain on FVIS investments	6	(637)	(244)	283	354
Other income		9	30	30	30
Pre-incorporation income, net		-	-	-	1,597
Total income		4,809	5,458	13,893	13,310
General and administrative expenses		(466)	(193)	(1,517)	(1,488)
NET INCOME FOR THE PERIOD		4,343	5,265	12,376	11,822
Weighted average number of ordinary shares outstanding (in thousands)		35,000	35,000	35,000	35,000
Earnings per share for the period (SR)	11	0.12	0.15	0.35	0.34


Chairman


Senior Finance Manager

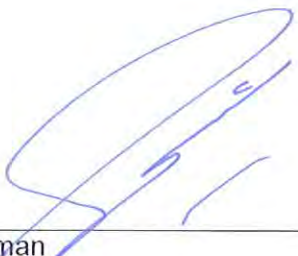

Chief Executive Officer

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ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2015


	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	SR '000	SR '000	SR '000	SR '000
NET INCOME FOR THE PERIOD	4,343	5,265	12,376	11,822
Zakat and income tax for the period (note 10)	(322)	(21)	(570)	(3,048)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>4,021</u>	<u>5,244</u>	<u>11,806</u>	<u>8,774</u>



Chairman



Chief Executive Officer



Senior Finance Manager

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ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2015

	Share capital SR '000	Statutory reserve SR '000	Retained earnings SR '000	Total SR '000
Nine-month period ended 30 September 2015 – Unaudited				
Balance as at 31 December 2014 (Audited)	350,000	1,955	2,907	354,862
Net income for the period	-	-	12,376	12,376
Zakat and income tax for the period (note 10)	-	-	(570)	(570)
Balance as at 30 September 2015 (Unaudited)	350,000	1,955	14,713	366,668
Nine-month period ended 30 September 2014 – Unaudited				
Balance as at 31 December 2013 (Unaudited)	350,000	-	-	350,000
Transaction costs relating to issuance of share capital	-	-	(4,465)	(4,465)
Net income for the period	-	-	11,822	11,822
Zakat and income tax for the period	-	-	(3,048)	(3,048)
Balance as at 30 September 2014 (Unaudited)	350,000	-	4,309	354,309

Chairman

Chief Executive Officer

Senior Finance Manager

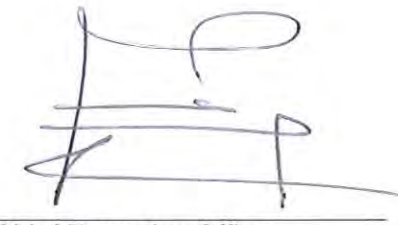
The accompanying notes 1 to 13 form an integral part of these interim condensed financial statements.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2015

	Note	30 September 2015 (Unaudited) SR '000	30 September 2014 (Unaudited) SR '000
OPERATING ACTIVITIES			
Surplus for the period		1,009	408
Adjustments for the period:			
Employees' end of service benefits, net		160	-
Reinsurance share of unearned contributions		(622)	(4,000)
Unearned contributions		15,563	14,381
		<u>16,110</u>	<u>10,789</u>
<i>Change in operating assets and liabilities:</i>			
Available-for-sale investments held to cover unit-linked liabilities		(18,097)	(6,365)
Contributions receivable		(17,510)	(1,057)
Reinsurance share of outstanding claims including IBNR		(3,021)	-
Due from a related party		(233)	(2,010)
Other receivables		(78)	(87)
Reserve for Insurance activities		17,916	7,679
Outstanding claims including IBNR		4,642	1,410
Advance contributions		297	78
Contributions deposit		221	362
Reinsurance balances payable		1,836	943
Accrued expenses and other liabilities		1,348	2,221
Net cash from operating activities		<u>3,431</u>	<u>13,963</u>
FINANCING ACTIVITIES			
Due to Shareholders' Operations		9,084	4,273
Net change in cash and cash equivalents		<u>12,515</u>	<u>18,236</u>
Cash and cash equivalents at the beginning of the period		19,318	-
Cash and cash equivalents at end of the period	3	<u>31,833</u>	<u>18,236</u>


Chairman


Chief Executive Officer


Senior Finance Manager

The accompanying notes 1 to 13 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2015

	Notes	30 September 2015 (Unaudited) SR '000	30 September 2014 (Unaudited) SR '000
OPERATING ACTIVITIES			
Net income for the period before Zakat		12,376	11,822
Adjustments for the period:			
Premium on held-to-maturity investments		(3,036)	-
Realised gain on FVIS investments		(1,464)	(2,869)
Unrealised gain on FVIS investments	6	(283)	(354)
		<u>7,593</u>	<u>8,599</u>
<i>Change in operating assets and liabilities</i>			
Prepayments		(75)	-
Due from Insurance Operations		(9,084)	(4,273)
Statutory deposit		-	(35,000)
Accrued profit		-	(517)
Accrued expenses and other liabilities		889	1,262
Zakat and income tax paid	10	(40)	-
Net cash used in operating activities		<u>(717)</u>	<u>(29,929)</u>
INVESTING ACTIVITIES			
Purchase of FVIS investments	6	(2,856)	(302,962)
Murabaha deposit		-	(180,000)
Proceeds from disposal of FVIS investments		4,320	185,727
Premium on held-to-maturity investments		2,722	-
Net cash from / (used in) investing activities		<u>4,186</u>	<u>(297,235)</u>
FINANCING ACTIVITIES			
Issue of share capital		-	350,000
Transaction costs relating to issue of share capital		-	(4,465)
Net cash from financing activities		<u>-</u>	<u>345,535</u>
Net change in cash and cash equivalents		<u>3,469</u>	<u>18,371</u>
Cash and cash equivalents at beginning of the period		<u>6,666</u>	<u>-</u>
Cash and cash equivalents at the end of the period	3	<u>10,135</u>	<u>18,371</u>

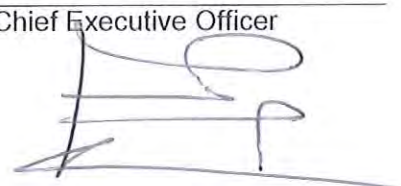
Chairman



Senior Finance Manager



Chief Executive Officer



The accompanying notes 1 to 13 form an integral part of these interim condensed financial statements.

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

**NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2015**

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 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. 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 nine-month period ended 30 September 2015 should be read in conjunction with the Company's audited financial statements for the period ended 31 December 2014. 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 Company follows a fiscal year ending 31 December.

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

(a) Basis of preparation – (continued)

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.

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%
	<u>100%</u>

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.

(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 December 31, 2014, 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.

**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</u>	<u>Description</u>
IAS 19	Amendments to IAS 19: the amendment provides relief, based on meeting certain criteria's, from the requirements proposed in the amendments of 2011 for attributing employee / third party contributions to periods of service under the plan benefit formula or on a straight line basis. The current amendment gives an option, if conditions satisfy, to reduce service cost in period in which the related service is rendered.
IFRS 3	Amendments to IFRS 3 Business Combinations: amendment to clarify the classification and measurement of contingent consideration in a business combination. It has been further amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in IFRS 11.
IFRS 8	Amendments to IFRS 8 Operating Segments: amendment requiring explicitly disclosure of judgments made by management in applying aggregation criteria.
IFRS 13	Amendments to IFRS 13 Fair Value Measurement: amendment to clarify measurement of interest free short-term receivables and payables at their invoiced amount without discounting, if the effect of discounting is immaterial. It has been further amended to clarify that the portfolio exception potentially applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.
IAS 16 and IAS 38	Amendments to IAS 16 "Property plant and equipment" and IAS 38 "intangible assets": amendments to clarify the requirements of revaluation model recognizing that the restatement of accumulated depreciation (amortisation) is not always proportionate to the change in the gross carrying amount of the asset.
IAS 24	Amendments to IAS 24 Related Party Disclosures: the definition of a related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or indirectly.
IFRS 1	Amendments to IFRS 1 First time adoption of IFRS: the amendment clarifies that a first time adopter is permitted but not required to apply a new or revised IFRS that is not yet mandatory but is available for early adoption.
IFRS 2	Amendments to IFRS 2 Share-Based Payment: the amendment to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.
IAS 40	Amendments to IAS 40 Investment Property: amendments to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition constitutes a business combination.

The above mentioned amendments and revisions do not have an impact on these interim condensed financial statements of the Company.

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

**NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2015**

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

(b) Summary of significant accounting policies – (continued)

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>
IAS 1	Amendments to IAS 1 Disclosure Initiative	1 January 2016
IFRS 9	Financial Instruments	1 January 2018
IFRS 11	Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IAS 16 and IAS 38	Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 27	Amendments to IAS 27 Equity method in Separate Financial Statements	1 January 2016
IFRS 10, IFRS 12 and IAS 28	Amendments to IFRS 10, IFRS 12 and IAS 28 Investment entities: applying the consolidation exception	1 January 2016
IFRS 10 and IAS 28	Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint venture.	1 January 2016
IAS 16 and IAS 41	Amendments to IAS 16 and IAS 41 Agriculture Bearer plants	1 January 2016

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

**NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2015**

3. CASH AND CASH EQUIVALENTS

	30 September 2015	31 December 2014
	(Unaudited)	(Audited)
	SR '000	SR '000
Insurance Operations		
Cash at bank	31,833	19,318
Shareholders' Operations		
Cash at bank	10,135	6,666

Cash at bank is held with founding shareholders.

4. HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments amounting to SR 271.5 million (31 December 2014: SR 271.2 million) represents Murabaha deposits held with a founding shareholder (having maturity of more than one year).

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

	Initial value	Change in fair value	30 September 2015
	SR '000	SR '000	(Unaudited)
			SR '000
Insurance Operations			
Al Jazira Diversified Aggressive Fund	25,922	(1,464)	24,458
Al Jazira Diversified Balanced Fund	4,230	(155)	4,075
Al Jazira Diversified Conservative Fund	525	(8)	517
	30,677	(1,627)	29,050
	Initial value	Change in fair value	31 December 2014
	SR '000	SR '000	(Audited)
			SR '000
Insurance Operations			
Al Jazira Diversified Aggressive Fund	9,881	(129)	9,752
Al Jazira Diversified Balanced Fund	1,066	(6)	1,060
Al Jazira Diversified Conservative Fund	139	2	141
	11,086	(133)	10,953

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

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).

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

The Company's available-for-sale investments are classified under Level 2 hierarchy.

6. FVIS INVESTMENTS

Movement in investments classified as fair value through income statement ("FVIS") is as follows:

	30 September 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000
Balance at beginning of the period / year	40,723	-
Purchases during the period / year	2,856	303,750
Disposals during the period / year	(2,856)	(263,243)
Changes in fair value during the period / year	283	216
Balance at end of the period / year	41,006	40,723

The FVIS investments includes investment amounted to SR 41.006 million (31 December 2014: SR 40.507 million) in the 'Al Qawafel Fund' managed by a founding shareholder.

The Company's FVIS investments are classified under Level 2 hierarchy.

7. RESERVE FOR INSURANCE ACTIVITIES

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

	30 September 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR '000
Balance at beginning of the period / year	11,991	-
Investible contributions	20,535	10,214
Technical reserve for insurance activities	(1,228)	1,430
Mathematical reserve – net	236	480
Change in fair value of available-for-sale investments (note 5)	(1,627)	(133)
Balance at the end of the period / year	29,907	11,991

8. OUTSTANDING CLAIMS

	Gross	Reinsurers' share	Net
30 September 2015 (Unaudited)	SR '000	SR '000	SR '000
Outstanding claims	677	(527)	150
Add: Incurred but not reported (IBNR) reserve	8,502	(4,492)	4,010
Total outstanding claims	9,179	(5,019)	4,160

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8. OUTSTANDING CLAIMS – (Continued)

	Gross	Reinsurers' share	Net
31 December 2014 (Audited)	SR '000	SR '000	SR '000
Outstanding claims	450	(350)	100
Add: Incurred but not reported (IBNR) reserve	4,087	(1,648)	2,439
Total outstanding claims	4,537	(1,998)	2,539

9. TRANSACTIONS WITH RELATED PARTIES

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

<u>Related party</u>	<u>Nature of transaction</u>	30 September 2015 (Unaudited)	30 September 2014 (Unaudited)
Shareholders' Operations		SR '000	SR '000
<i>Shareholder</i>	Transaction costs paid on behalf of the Company and recharged to the Company	-	3,008
	Pre-incorporation expenses paid on behalf of the Company and recharged to the Company	-	411
	Profit earned from Murabaha deposits(pre-incorporation)	-	2,259
	Profit earned from Murabaha deposits	3,036	4,787
	Profit earned from Mutual funds	283	102
Insurance Operations			
<i>Shareholder</i>	Portfolio management fee	1,638	2,795
<i>Key management personnel</i>	Salaries, benefits and allowances	2,944	2,894

- b) Amount due from a related party represents receivable from Bank Al Jazira (founding shareholder).
- c) Contribution receivable includes SR 17,706 thousand (31 December 2014: SR 438 thousand) from a related party.

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10. 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:

	30 September 2015 (Unaudited) SR '000	31 December 2014 (Audited) SR '000
Balance at the beginning of the period / year	13	-
Zakat for the period / year	515	409
Income tax for the period / year	55	41
Zakat and income tax for the period / year	583	450
Zakat and income tax paid during the period / year	(40)	(437)
Balance at the end of the period / year	543	13

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 year 2014 and restricted certificate has been obtained.

11. EARNINGS PER SHARE

Earnings per share for the period have been calculated by dividing the net income for the period by thirty five million shares, the weighted average number of issued and outstanding shares for the period. Diluted earnings per share are not applicable to the Company.

12. SEGMENT INFORMATION

Consistent with the Company's internal reporting process, business segments have been approved by management in respect of the Company's activities. The Company's gross written contributions, net insurance contributions, net written contribution, net insurance revenue, gross claims paid, net paid claims; net claims incurred, policy acquisition costs, supervision and inspection fees, underwriting surplus, general and administrative expenses, portfolio management fee, other income, net surplus from Insurance Operations, available-for-sale investments, contributions receivables, unearned contributions, outstanding claims, reserve for insurance activities, advance contributions, contribution deposit, reinsurance balances payable, total assets and total liabilities, by business segment, are stated below.

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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12. SEGMENT INFORMATION – (continued)

For three-month period ended 30 September 2015 – Unaudited	Individual SR'000	Group SR'000	Total SR'000
INSURANCE REVENUE			
Gross written contributions	8,737	30,429	39,166
Investible contributions, net	(8,440)	-	(8,440)
Net Insurance contributions	297	30,429	30,726
Contributions ceded	(100)	(5,186)	(5,286)
Net written contributions	197	25,243	25,440
Change in unearned contributions – net	-	(20,474)	(20,474)
Reserve for insurance activities	1,306	-	1,306
Net Insurance revenue	1,503	4,769	6,272
CLAIMS AND EXPENSES			
Gross claims paid	-	(3,233)	(3,233)
Reinsurance share of claims paid	-	2,741	2,741
Net paid claims	-	(492)	(492)
Change in outstanding claims including IBNR, net	-	(1,030)	(1,030)
Net claims incurred	-	(1,522)	(1,522)
Policy acquisition costs	(741)	-	(741)
Supervision and inspection fees	(44)	(152)	(196)
Total claims and expenses	(785)	(1,674)	(2,459)
Underwriting surplus for the period	718	3,095	3,813
General and administrative expenses			(1,376)
Portfolio management fee			1,102
Other income			485
Surplus for the period from Insurance Operations			4,024

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12. SEGMENT INFORMATION – (continued)

For nine-months period ended 30 September 2015 – Unaudited	Individual SR'000	Group SR'000	Total SR'000
INSURANCE REVENUE			
Gross written contributions	24,535	34,920	59,455
Investible contributions, net	(20,535)	-	(20,535)
Net Insurance contributions	4,000	34,920	38,920
Contributions ceded	(247)	(8,693)	(8,940)
Net written contributions	3,753	26,227	29,980
Change in unearned contributions – net	-	(14,941)	(14,941)
Reserve for insurance activities	992	-	992
Net Insurance revenue	4,745	11,286	16,031
CLAIMS AND EXPENSES			
Gross claims paid	-	(6,162)	(6,162)
Reinsurance share of claims paid	-	5,220	5,220
Net paid claims	-	(942)	(942)
Change in outstanding claims including IBNR, net	-	(1,620)	(1,620)
Net claims incurred	-	(2,562)	(2,562)
Policy acquisition costs	(1,377)	-	(1,377)
Supervision and inspection fees	(123)	(174)	(297)
Total claims and expenses	(1,500)	(2,736)	(4,236)
Underwriting surplus for the period	3,245	8,550	11,795
General and administrative expenses			(4,838)
Portfolio management fee			1,638
Other income			1,494
Surplus for the period from Insurance Operations			10,089

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12. SEGMENT INFORMATION – (continued)

As at 30 September 2015 – Unaudited	Individual SAR'000	Group SAR'000	Total SAR'000
INSURANCE OPERATIONS' ASSETS			
Available-for-sale investments held to cover unit link liabilities	29,050	-	29,050
Contributions receivable	-	17,952	17,952
Reinsurance share of unearned contributions	-	778	778
Reinsurance share of outstanding claims including IBNR	-	5,019	5,019
Unallocated assets			34,366
TOTAL INSURANCE OPERATIONS' ASSETS			87,165
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Reserves for Insurance activities	29,907	-	29,907
Unearned contributions	-	25,425	25,425
Outstanding claims including IBNR	-	9,179	9,179
Advance contributions	516	-	516
Contributions deposit	406	-	406
Reinsurance balances payable	100	3,472	3,572
Surplus from insurance operations			1,136
Unallocated liabilities			17,024
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			87,165
For three-month period ended 30 September 2014 – unaudited	Individual SAR'000	Group SAR'000	Total SAR'000
Gross Written contributions	4,783	15,639	20,422
Investable contributions	(3,261)	-	(3,261)
Net Insurance contributions	1,522	15,639	17,161
Contributions ceded	(31)	(870)	(901)
Net written contribution	1,491	14,769	16,260
Unearned contributions– net	-	(10,355)	(10,355)
Reserve for Insurance activities	(318)	-	(318)
Net Insurance revenue	1,173	4,414	5,587
Incurred but not reported claim (IBNR & IBNER)	-	(1,408)	(1,408)
Policy acquisition cost	(220)	-	(220)
Supervision and inspection fee	(24)	(78)	(102)
Total claims and expenses	(244)	(1,486)	(1,730)
Underwriting surplus for the period	929	2,928	3,857
General and administrative expenses			(1,108)
Portfolio management fee			533
Other income			71
Surplus for the period from Insurance Operations			3,353

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12. SEGMENT INFORMATION – (continued)

For nine-month period ended 30 September 2014 – unaudited	Individual SAR'000	Group SAR'000	Total SAR'000
Gross Written contributions	9,642	15,700	25,342
Investable contributions	(6,260)	-	(6,260)
Net Insurance contributions	3,382	15,700	19,082
Contributions ceded	(67)	(876)	(943)
Net written contribution	3,315	14,824	18,139
Unearned contributions – net	-	(10,381)	(10,381)
Reserve for Insurance activities	(1,221)	-	(1,221)
Net Insurance revenue	2,094	4,443	6,537
Incurred but not reported claim (IBNR & IBNER)	-	(1,410)	(1,410)
Policy acquisition cost	(487)	-	(487)
Supervision and inspection fee	(49)	(78)	(127)
Total claims and expenses	(536)	(1,488)	(2,024)
Underwriting surplus for the period	1,558	2,955	4,513
General and administrative expenses			(3,298)
Portfolio management fee			2,795
Other income			71
Surplus for the period from Insurance Operations			4,081
As at 31 December 2014 – audited	Individual SAR'000	Group SAR'000	Total SAR'000
INSURANCE OPERATIONS' ASSETS			
Available-for-sale investments held to cover unit link liabilities	10,953	-	10,953
Contributions receivable	-	442	442
Reinsurance share of unearned contributions	-	156	156
Reinsurance share of outstanding claims	350	1,648	1,998
Unallocated assets			21,540
TOTAL INSURANCE OPERATIONS' ASSETS			35,089
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Reserves for Insurance activities	11,991	-	11,991
Unearned contributions	-	9,862	9,862
Outstanding claims	450	4,087	4,537
Advance contributions	219	-	219
Contributions deposit	185	-	185
Reinsurance balances payable	121	1,615	1,736
Unallocated liabilities			6,432
Surplus from insurance operations			127
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			35,089

13. 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 19 October 2015, corresponding to 6 Muharram 1437H.