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

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

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2016

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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 31 March 2016, and the related interim statements of insurance operations and accumulated surplus, shareholders' operations, shareholders' comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the three-month period then ended, and related notes from 1 to 14 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.

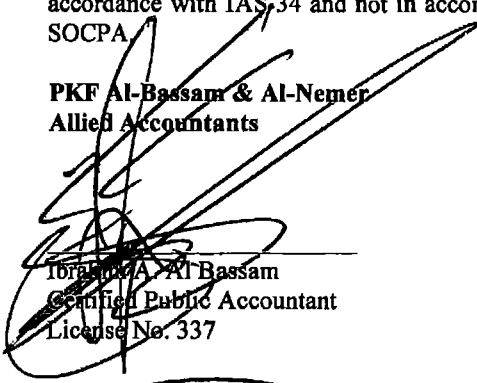
Conclusion

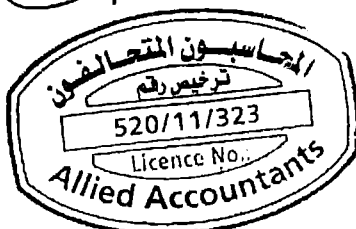
Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with IAS 34.

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 Al-Bassam
Certified Public Accountant
License No. 337



KPMG Al Fozan & Partners


Ebrahim Oboud Baeshen
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License No. 382

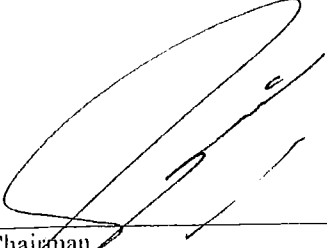
19 April 2016
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Jeddah, Kingdom of Saudi Arabia

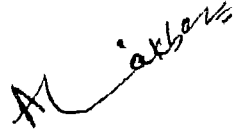


**ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM STATEMENT OF FINANCIAL POSITION
As at 31 March 2016**

		<i>31 March 2016</i>	<i>31 December 2015</i>
	<i>Notes</i>	<i>(Unaudited)</i> SR '000	<i>(Audited)</i> SR '000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	44,355	45,804
Available-for-sale investments held to cover unit-linked liabilities	5	44,654	37,105
Contributions receivable, net	6	2,190	1,108
Reinsurance share of unearned contributions		3,957	8,486
Reinsurance share of outstanding claims including IBNR	9	8,703	5,966
Due from a related party	10(b)	2,408	2,051
Prepayments and other receivables		210	246
Total Insurance Operations' Assets		106,477	100,766
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	5,350	11,463
Advance for investment		-	331
Held-to-maturity investments	4	272,139	270,261
FVIS investments	7	47,357	41,149
Prepayments		225	-
Due from Insurance Operations		18,750	14,539
Statutory deposit		35,000	35,000
Total Shareholders' Assets		378,821	372,743
TOTAL ASSETS		485,298	473,509


Chairman


Senior Finance Manager


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)
INTERIM STATEMENT OF FINANCIAL POSITION (continued)
As at 31 March 2016

		<i>31 March</i> <i>2016</i>	<i>31 December</i> <i>2015</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>Notes</i>	<i>SR '000</i>	<i>SR '000</i>
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance Operations' Liabilities			
Reserve for insurance activities	8	45,241	37,700
Unearned contributions		9,315	17,215
Outstanding claims including IBNR	9	13,507	10,169
Advance contributions		494	356
Contributions deposit		534	190
Reinsurance balances payable		10,481	11,490
Accrued expenses and other liabilities		5,699	7,127
Due to Shareholders' Operations		18,750	14,539
Employees' end of service benefits		380	357
Total Insurance Operations' Liabilities		104,401	99,143
Insurance Operations' Surplus			
Surplus from Insurance Operations		2,076	1,623
Total Insurance Operations' Liabilities and Surplus		106,477	100,766
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' Liabilities			
Accrued expenses and other liabilities		607	247
Accrued Zakat and income tax	11	1,056	779
Total Shareholders' Liabilities		1,663	1,026
Shareholders' Equity			
Share capital		350,000	350,000
Statutory reserve		5,487	5,487
Retained earnings		21,671	16,230
Total Shareholders' Equity		377,158	371,717
Total Shareholders' Liabilities and Equity		378,821	372,743
TOTAL INSURANCE OPERATIONS' LIABILITIES, SURPLUS, SHAREHOLDERS' LIABILITIES AND EQUITY		485,298	473,509

Chairman

Senior Finance Manager

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)**

**INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2016**

	<i>Notes</i>	<u>31 March 2016</u>	<u>31 March 2015</u>
		SR '000	SR '000
INSURANCE REVENUE		11,331	8,770
Gross written contributions		(9,084)	(4,961)
Investible contributions, net		2,247	3,809
Net insurance contributions		(353)	(111)
Contributions ceded		1,894	3,698
Net written contributions		3,371	891
Change in unearned contributions – net		973	(395)
Change in reserve for insurance activities		6,238	4,194
Net insurance revenue			
CLAIMS AND EXPENSES		(1,645)	(984)
Gross claims paid		1,248	864
Reinsurance share of claims paid		(397)	(120)
Net paid claims		(601)	(348)
Change in outstanding claims including IBNR, net		(998)	(468)
Net claims incurred		(532)	(283)
Policy acquisition costs		(57)	(44)
Supervision and inspection fees		(1,587)	(795)
Total claims and expenses			
		4,651	3,399
Underwriting surplus for the period		(1,423)	(1,761)
General and administrative expenses	1 & 10	-	536
Portfolio management fee		217	-
Investment income		1,085	467
Other income		4,530	2,641
Surplus for the period from Insurance Operations		4,530	2,641
Shareholders' share of surplus from Insurance Operations	2 (a)	(4,077)	(2,377)
Surplus for the period		453	264
Surplus from Insurance Operations at the beginning of the period		1,623	127
Accumulated surplus from Insurance Operations at the end of the period		2,076	391

Chairman

Senior Finance Manager

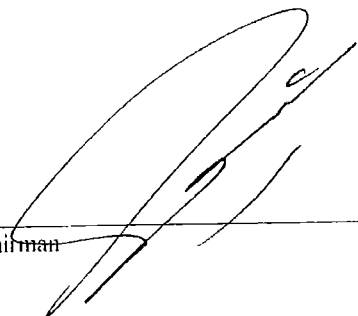
Chief Executive Officer

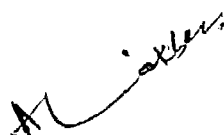
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**ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)**

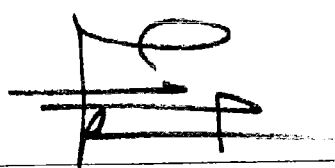
**INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2016**

	<i>Notes</i>	<i>31 March 2016</i>	<i>31 March 2015</i>
		SR '000	SR '000
Shareholders' share of surplus from Insurance Operations	2 (a)	4,077	2,377
Profit on held-to-maturity investments	10	1,878	1,001
Realised gain on investments		52	-
Unrealised gain on FVIS investments		208	90
Other income		16	11
Total income		6,231	3,479
General and administrative expenses		(513)	(506)
NET INCOME FOR THE PERIOD		5,718	2,973
Weighted average number of ordinary shares outstanding (in thousands)		35,000	35,000
Earnings per share for the period (SR)	12	0.163	0.085


Chairman



Senior Finance Manager


Chief Executive Officer

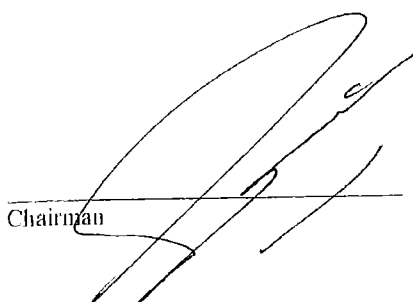
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ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

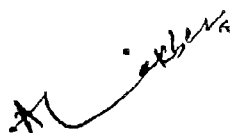
INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2016

	31 March 2016 SR '000	31 March 2015 SR '000
NET INCOME FOR THE PERIOD	5,718	2,973
Zakat and income tax for the period	(277)	(148)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	5,441	2,825

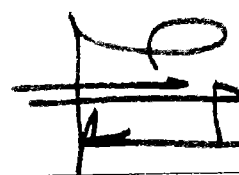
Chairman



Senior Finance Manager



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)**

**INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2016**

	Share capital	Statutory reserve	Retained earnings	Total
	SR '000	SR '000	SR '000	SR '000
Three-month period ended				
31 March 2016 – Unaudited				
Balance as at 1 January 2016 (Audited)	350,000	5,487	16,230	371,717
Net income for the period	-	-	5,718	5,718
Zakat and income tax for the period (note 11)	-	-	(277)	(277)
Balance as at 31 March 2016 (Unaudited)	<u>350,000</u>	<u>5,487</u>	<u>21,671</u>	<u>377,158</u>

	Share capital	Statutory reserve	Retained earnings	Total
	SR '000	SR '000	SR '000	SR '000
Three-month period ended				
31 March 2015 – Unaudited				
Balance as at 1 January 2015 (Audited)	350,000	1,955	2,907	354,862
Net income for the period	-	-	2,973	2,973
Zakat and income tax for the period	-	-	(148)	(148)
Balance as at 31 March 2015 (Unaudited)	<u>350,000</u>	<u>1,955</u>	<u>5,732</u>	<u>357,687</u>

Chairman

Chief Executive Officer

Senior Finance Manager

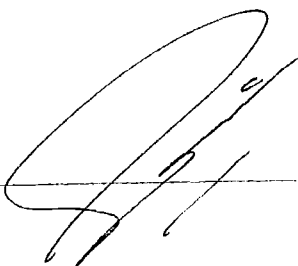
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**ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2016**

	<i>31 March 2016</i>	<i>31 March 2015</i>
	SR '000	SR '000
OPERATING ACTIVITIES		
Surplus for the period	453	264
<i>Adjustments for the period:</i>		
Employees' end of service benefits, net	23	39
Allowance for doubtful receivables	211	-
Reinsurance share of unearned contributions	4,529	(420)
Unearned contributions	(7,900)	(2,010)
	(2,684)	(2,127)
<i>Change in operating assets and liabilities:</i>		
Available-for-sale investments held to cover unit-linked liabilities	(7,549)	(4,937)
Contributions receivable	(1,293)	(50)
Reinsurance share of outstanding claims including IBNR	(2,737)	(849)
Due from a related party	(357)	(3,380)
Prepayments and other receivables	36	19
Reserve for Insurance activities	7,541	5,444
Outstanding claims including IBNR	3,338	1,197
Advance contributions	138	56
Contributions deposit	344	64
Reinsurance balances payable	(1,009)	653
Accrued expenses and other liabilities	(1,428)	(985)
Due to Shareholders' Operations	4,211	2,381
	(1,449)	(2,514)
Net cash flows used in operating activities	(1,449)	(2,514)
Cash and cash equivalents at the beginning of the period	45,804	19,318
Cash and cash equivalents at end of the period	44,355	16,804

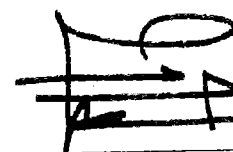
Chairman



Senior Finance Manager



Chief Executive Officer

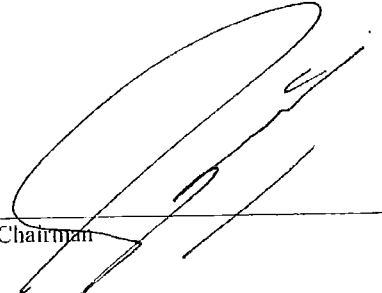



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**ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2016**

	<i>31 March 2016</i>	<i>31 March 2015</i>
	<i>SR' 000</i>	<i>SR' 000</i>
OPERATING ACTIVITIES		
Net income for the period	5,718	2,973
<i>Adjustments for the period:</i>		
Special commission income on held-to-maturity investments	(1,878)	(1,001)
Realised gain on FVIS investments	(52)	-
Unrealised gain on FVIS investments	(208)	(90)
	<u>3,580</u>	<u>1,882</u>
<i>Change in operating assets and liabilities</i>		
Prepayments	(225)	(227)
Due from Insurance Operations	(4,211)	(2,381)
Accrued expenses and other liabilities	360	52
Net cash flows used in operating activities	<u>(496)</u>	<u>(674)</u>
INVESTING ACTIVITIES		
Purchase of FVIS investments	(6,199)	-
Proceeds from disposal of FVIS investments	251	-
Advance for investment	331	-
Net cash flows used in investing activities	<u>(5,617)</u>	<u>-</u>
Net decrease in cash and cash equivalents	(6,113)	(674)
Cash and cash equivalents at the beginning of the period	11,463	6,666
	<u>5,350</u>	<u>5,992</u>
Cash and cash equivalents at the end of the period		


Chairman


Senior Finance Manager


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 UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 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 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 three-month period ended 31 March 2016 should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2015. 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.

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 UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 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%
	<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.

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.

(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.

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

**NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 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):

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

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

**NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 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)**

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.
IFRS 14	IFRS 14 – “Regulatory Deferral Accounts”, applicable for the annual periods beginning on or after 1 January 2016, allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first time adoption of IFRS. The standard does not apply to existing IFRS preparers. Also, an entity whose current GAAP does not allow the recognition of rate-regulated assets and liabilities, or that has not adopted such policy under its current GAAP, would not be allowed to recognise them on first-time application of IFRS.
IFRS 10 IFRS 11 IFRS 12 IAS 28	Amendments to IFRS 10 – “Consolidated Financial Statements”, IFRS 12 – “Disclosure of Interests in Other Entities” and IAS 28 – “Investments in Associates”, applicable for the annual periods beginning on or after 1 January 2016, address three issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures its subsidiaries at fair value. Furthermore, only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. Amendments to IFRS 11 – “Joint Arrangements”, applicable for the annual periods beginning on or after 1 January 2016, require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS 3 – “Business Combinations” and other IFRSs that do not conflict with the requirements of IFRS 11 Joint Arrangements. Furthermore, entities are required to disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by one of the parties to the joint operation on its formation. Furthermore, the amendments clarify that, for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held interests in the joint operation must not be remeasured if the joint operator retains joint control.

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**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)**

- IAS 1 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;
- 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.

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.

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.

Standard/ Interpretation	Description	Effective from periods beginning on or after the following date
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IAS 12	Amendments to IAS 12 Recognition of deferred tax assets for unrealized losses	1 January 2017

3. CASH AND CASH EQUIVALENTS

	31 March 2016 (Unaudited) SR '000	31 December 2015 (Audited) SR '000
Insurance Operations		
Cash at bank	6,134	7,804
Murabaha deposit	38,221	38,000
	44,355	45,804
Shareholders' Operations		
Cash at bank	5,350	11,463

Cash at bank and Murabaha deposit are held with founding shareholder.

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4. HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments amounting to SR 272.1 million (31 December 2015: SR 270.3 million) are made for three years maturity in 2017 with a founding shareholder.

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

At 31 March 2016

	<i>Initial cost value</i>	<i>Change in fair value</i>	<i>31 March 2016 (Unaudited)</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
<i>Insurance Operations</i>			
Al – Qawafel Fund	64	-	64
Al Jazira Diversified Aggressive Fund	37,354	(514)	36,840
Al Jazira Diversified Balanced Fund	6,974	(54)	6,920
Al Jazira Diversified Conservative Fund	832	(2)	830
	<u>45,224</u>	<u>(570)</u>	<u>44,654</u>

At 31 December 2015

	<i>Initial cost value</i>	<i>Change in fair value</i>	<i>31 December 2015 (Audited)</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
<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 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).

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

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6. CONTRIBUTION RECEIVABLE, NET

	<i>31 March 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
Gross contribution receivable	2,401	1,108
Allowance for doubtful receivables	(211)	-
Contribution receivable, net	<u>2,190</u>	<u>1,108</u>

7. FVIS INVESTMENTS

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

	<i>31 March 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	6,199	2,856
Disposals during the period /year	(199)	(2,856)
Changes in fair value during the period /year	208	426
Balance at end of the period /year	<u>47,357</u>	<u>41,149</u>

The FVIS investments includes investment amounted to SR 47.357 million (31 December 2015: SR 41.149 million) in the 'Al Qawafel Fund' managed by a founding shareholder.

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

8. RESERVE FOR INSURANCE ACTIVITIES

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

	<i>31 March 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	9,084	29,753
Technical reserve for insurance activities – net	(1,012)	(1,734)
Mathematical reserve – net	39	(234)
Change in fair value of available-for-sale investments (note 5)	(570)	(2,076)
Balance at the end of the period /year	<u>45,241</u>	<u>37,700</u>

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9. OUTSTANDING CLAIMS

	Gross	Reinsurers' share	Net
	SR '000	SR '000	SR '000
<i>31 March 2016 (Unaudited)</i>			
Outstanding claims	4,687	(4,037)	650
Add: Incurred but not reported (IBNR) reserve	8,820	(4,666)	4,154
Total outstanding claims	<u>13,507</u>	<u>(8,703)</u>	<u>4,804</u>
	Gross	Reinsurers' share	Net
	SR '000	SR '000	SR '000
<i>31 December 2015 (Audited)</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>

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 three-month period ended:

<u>Related party</u>	<u>Nature of transaction</u>	<u>31 March 2016</u> <u>Unaudited</u>	<u>31 March 2015</u> <u>Unaudited</u>
		<u>SR '000</u>	<u>SR '000</u>
Shareholders' Operations			
<i>Bank AlJazira</i>	Profit earned on held to maturity investment	1,878	1,001
<i>AlJazira Capital</i>	Profit earned on Mutual funds	208	101
Insurance Operations			
<i>Bank AlJazira</i>	Gross contribution written	676	863
<i>Bank AlJazira</i>	Investment income	217	-
<i>Bank AlJazira</i>	Portfolio management fee	-	536
<i>Key management personnel</i>	Salaries, benefits and allowances	2,259	2,154

- 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 1,890 thousand (31 December 2015: SR 870 thousand) from Bank Al Jazira (founding shareholder).

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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>31 March 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	277	806
Zakat and income tax for period /year	<u>1,056</u>	<u>819</u>
Zakat and income tax paid during the period /year	-	(40)
Balance at the end of the period /year	<u><u>1,056</u></u>	<u><u>779</u></u>

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 restricted certificate has been obtained.

12. 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.

13. 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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13. SEGMENT INFORMATION – (continued)

	Individual SR'000	Group SR'000	Total SR'000
For three-month period ended 31 March 2016 – unaudited			
INSURANCE REVENUE			
Gross written contributions	10,057	1,274	11,331
Investible contributions, net	(9,084)	-	(9,084)
Net Insurance contributions	973	1,274	2,247
Contributions ceded	(126)	(227)	(353)
Net written contributions	847	1,047	1,894
Change in unearned contributions – net	-	3,371	3,371
Reserve for insurance activities	973	-	973
Net Insurance revenue	1,820	4,418	6,238
CLAIMS AND EXPENSES			
Gross claims paid	-	(1,645)	(1,645)
Reinsurance share of claims paid	-	1,248	1,248
Net paid claims	-	(397)	(397)
Change in outstanding claims including IBNR, net	-	(601)	(601)
Net claims incurred	-	(998)	(998)
Policy acquisition costs	(532)	-	(532)
Supervision and inspection fees	(50)	(7)	(57)
Total claims and expenses	(582)	(1,005)	(1,587)
Underwriting surplus for the period	1,238	3,413	4,651
General and administrative expenses			(1,423)
Portfolio management fee			-
Investment income			217
Other income			1,085
Surplus for the period from Insurance Operations			4,530
As at 31 March 2016 – Unaudited	Individual SAR'000	Group SAR'000	Total SAR'000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	43,041	1,314	44,355
Available-for-sale investments held to cover unit link liabilities	44,654	-	44,654
Contributions receivable, net	-	2,190	2,190
Reinsurance share of unearned contributions	-	3,957	3,957
Reinsurance share of outstanding claims including IBNR	-	8,703	8,703
Unallocated assets:			
Due from a related party			2,408
Prepayments and other receivable			210
TOTAL INSURANCE OPERATIONS' ASSETS			106,477
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Reserves for Insurance activities	45,241	-	45,241
Unearned contributions	-	9,315	9,315
Outstanding claims including IBNR	-	13,507	13,507
Advance contributions	494	-	494
Contributions deposit	534	-	534
Reinsurance balances payable	126	10,355	10,481
Unallocated liabilities:			
Accrued expenses and other liabilities			5,699
Due to shareholders' operations			18,750
Employees' end of service benefits			380
Surplus from insurance operations			2,076
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			106,477

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13. SEGMENT INFORMATION – (continued)

	Individual SR'000	Group SR'000	Total SR'000
For three-month period ended 31 March 2015 – Unaudited			
INSURANCE REVENUE			
Gross written contributions	7,045	1,725	8,770
Investible contributions, net	(4,961)	-	(4,961)
Net Insurance contributions	2,084	1,725	3,809
Contributions ceded	(61)	(50)	(111)
Net written contributions	2,023	1,675	3,698
Change in unearned contributions – net	-	891	891
Reserve for insurance activities	(395)	-	(395)
Net Insurance revenue	1,628	2,566	4,194
CLAIMS AND EXPENSES			
Gross claims paid	-	(984)	(984)
Reinsurance share of claims paid	-	864	864
Net paid claims	-	(120)	(120)
Change in outstanding claims including IBNR, net	-	(348)	(348)
Net claims incurred	-	(468)	(468)
Policy acquisition costs	(283)	-	(283)
Supervision and inspection fees	(35)	(9)	(44)
Total claims and expenses	(318)	(477)	(795)
Underwriting surplus for the period	1,310	2,089	3,399
General and administrative expenses			(1,761)
Portfolio management fee			536
Other income			467
Surplus for the period from Insurance Operations			2,641
As at 31 December 2015			
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	-	1,108	1,108
Reinsurance share of unearned contributions	-	8,486	8,486
Reinsurance share of outstanding claims including IBNR	-	5,966	5,966
Unallocated assets:			2,051
Due from a related party			246
Prepayments and other receivable			100,766
TOTAL INSURANCE OPERATIONS' ASSETS			
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Reserves for Insurance activities	37,700	-	37,700
Unearned contributions - gross	-	17,215	17,215
Outstanding claims including IBNR- gross	-	10,169	10,169
Advance contributions	356	-	356
Contributions deposit	190	-	190
Reinsurance balances payable	113	11,377	11,490
Surplus form insurance operations			1,623
Unallocated liabilities			7,127
Accrued expenses and other liabilities			14,539
Due to shareholders' operations			357
Employees' end of service benefits			
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			100,766

14. 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 April 2016, corresponding to 12 Rajab1437H.