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

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

**FOR THE THREE-MONTH PERIOD ENDED 30 SEPTEMBER 2014
AND FOR THE PERIOD FROM 3 JULY 2013 (INCEPTION DATE) TO 30 SEPTEMBER 2014**

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 30 SEPTEMBER 2014
AND FOR THE PERIOD FROM 3 JULY 2013 (INCEPTION DATE) TO 30 SEPTEMBER 2014**

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Jeddah 21454
Kingdom of Saudi Arabia

Allied Accountants
Al-Bassam & Al-Nemer CPAs
P.P. License 520 / 11 / 323



KPMG Al Fozan & Al Sadhan
P. O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
License No. 46/11/323 issued 11/3/1992

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 2014, and related interim statements of Insurance Operations and accumulated surplus, Shareholders' Operations and comprehensive income for the three-month period ended 30 September 2014 and for the period from 3 July 2013 to 30 September 2014 and the related interim statements of changes in Shareholders' equity, Insurance Operations' cash flows and Shareholders' cash flows for the period from 3 July 2013 to 30 September 2014 and the related notes from 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 the International Accounting Standard 34 – Interim Financial Reporting ("IAS 34") and submitted to us together with all the information and explanations which we required.

We conducted our review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A review consists principally of applying analytical procedures to financial data and information and making inquiries of person responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the 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 Matters

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

Allied Accountants
Al-Bassam & Al-Nemer CPAs

Ibrahim A. Al Bassam
Certified Public Accountant
License No. 337



KPMG Al Fozan & Al Sadhan

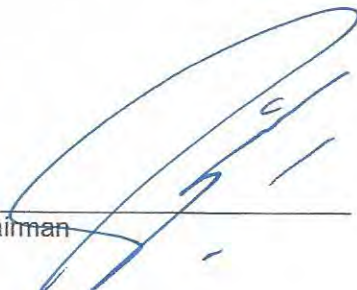
Ebrahim Oboud Baeshen
Certified Public Accountant
License No. 382




28 October 2014
4 Muharram 1436H
Jeddah, Kingdom of Saudi Arabia

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 SEPTEMBER 2014

	Notes	SR '000
INSURANCE OPERATIONS' ASSETS		
Cash and cash equivalents	3	18,236
Available-for-sale investments held to cover unit-linked liabilities	5	6,365
Contributions receivable		1,057
Reinsurance share of unearned contributions		4,000
Due from a related party	11(b)	2,010
Other receivables		87
Total Insurance Operations' Assets		31,755
SHAREHOLDERS' ASSETS		
Cash and cash equivalents	3	18,371
Murabaha deposit	4	180,000
FVIS investments	6	120,458
Accrued profit		517
Due from Insurance Operations		4,273
Statutory deposit	7	35,000
Total Shareholders' Assets		358,619
TOTAL ASSETS		390,374



 Chairman



 Senior Finance Manager



 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 FINANCIAL POSITION (UNAUDITED) continued
AS AT 30 SEPTEMBER 2014**

	Notes	SR '000
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS		
Insurance Operations' Liabilities		
Reserve for Insurance activities	8	7,679
Unearned contributions		14,381
Incurred but not reported claim (IBNR & IBNER)		1,410
Advance contributions		78
Contributions deposit		362
Reinsurance balances payable		943
Accrued expenses and other liabilities		2,221
Due to Shareholders' Operations		4,273
Total Insurance Operations' Liabilities		31,347
Insurance Operations' Surplus		
Surplus from Insurance Operations		408
Total Insurance Operations' Liabilities and Surplus		31,755
SHAREHOLDERS' LIABILITIES AND EQUITY		
Shareholders' Liabilities		
Accrued expenses and other liabilities		1,262
Accrued Zakat & income tax	12	3,048
Total Shareholders' Liabilities		4,310
Shareholders' Equity		
Share capital	9	350,000
Retained earnings		4,309
Total Shareholders' Equity		354,309
Total Shareholders' Liabilities and Equity		358,619
TOTAL INSURANCE OPERATIONS' LIABILITIES, SURPLUS, SHAREHOLDERS' LIABILITIES AND EQUITY		390,374

Chairman

Chief Executive Officer

Senior Finance Manager

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

INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS (UNAUDITED)

		<i>For the three-month period ended 30 September 2014 SR '000</i>	<i>For the period from 3 July 2013 to 30 September 2014 SR '000</i>
	Notes		
INSURANCE REVENUE			
Gross written contributions		20,422	25,342
Investible contributions, net		(3,261)	(6,260)
Net Insurance contributions		17,161	19,082
Contributions ceded		(901)	(943)
Net written contributions		16,260	18,139
Unearned contributions – net		(10,355)	(10,381)
Net Insurance revenue		5,905	7,758
Reserve for insurance activities		(318)	(1,221)
Incurred but not reported claim (IBNR & IBNER)		(1,408)	(1,410)
Policy acquisition costs		(220)	(487)
Supervision and inspection fees		(102)	(127)
Underwriting surplus for the period		3,857	4,513
General and administrative expenses		(1,108)	(3,298)
Portfolio management fee	11	533	2,795
Other income		71	71
Surplus for the period from Insurance Operations		3,353	4,081
Shareholders' share of surplus from Insurance Operations	2 (a)	(3,018)	(3,673)
Surplus for the period and accumulated surplus		<u>335</u>	<u>408</u>

Chairman

Chief Executive Officer

Senior Finance Manager

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

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS (UNAUDITED)

		<i>For the three-month period ended 30 September 2014</i>	<i>For the period from 3 July 2013 to 30 September 2014</i>
	Notes	SR '000	SR '000
REVENUE			
Shareholders' share of surplus from Insurance Operations	2 (a)	3,018	3,673
Profit on Murahaba deposits	11	587	4,787
Realised gain on investments		2,067	2,869
Unrealised (loss) / gain on FVIS investments	6	(244)	354
Other income		30	30
Pre-incorporation income, net	10	-	1,597
Total income		5,458	13,310
General and administrative expenses		(193)	(1,488)
NET INCOME FOR THE PERIOD		5,265	11,822
Weighted average number of ordinary shares outstanding (in thousands)	13	35,000	35,000
Earnings per share for the period (SR)	13	0.15	0.34

Chairman

Chief Executive Officer

Senior Finance Manager

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 COMPREHENSIVE INCOME (UNAUDITED)

	<i>For the three-month period ended 30 September 2014</i>	<i>For the period from 3 July 2013 to 30 September 2014</i>
	SR '000	SR '000
NET INCOME FOR THE PERIOD	5,265	11,822
Zakat and income tax for the period (note 12)	(21)	(3,048)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>5,244</u>	<u>8,774</u>



Chairman



Senior Finance Manager



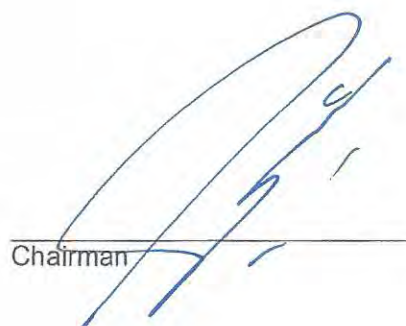
Chief Executive Officer

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 CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE PERIOD FROM 3 JULY 2013 TO 30 SEPTEMBER 2014**

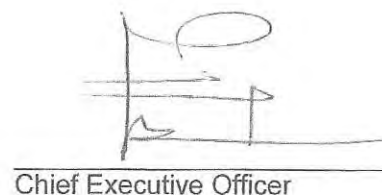
	Share capital	Retained earnings	Total
	SR '000	SR '000	SR '000
Issuance of share capital (note 9)	350,000	-	350,000
Transaction costs relating to issuance of share capital (note 9)	-	(4,465)	(4,465)
Net income for the period	-	11,822	11,822
Zakat and income tax for the period (note 12)	-	(3,048)	(3,048)
Balance as at 30 September 2014	350,000	4,309	354,309



Chairman



Senior Finance Manager



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' CASH FLOWS (UNAUDITED)
FOR THE PERIOD FROM 3 JULY 2013 TO 30 SEPTEMBER 2014**

OPERATING ACTIVITIES	Note	SR '000
Surplus for the period		408
Adjustments for the period:		
Reinsurance share of unearned contributions		(4,000)
Unearned contributions		14,381
		<u>10,789</u>
<i>Change in operating assets and liabilities:</i>		
Available-for-sale investments held to cover unit-linked liabilities		(6,365)
Contributions receivable		(1,057)
Due from a related party		(2,010)
Other receivables		(87)
Reserve for Insurance activities		7,679
Incurred but not reported claim (IBNR & IBNER)		1,410
Advance contributions		78
Contributions deposit		362
Reinsurance balances payable		943
Accrued expenses and other liabilities		2,221
Net cash flows from operating activities		<u>13,963</u>
FINANCING ACTIVITY		
Due to Shareholders' Operations		<u>4,273</u>
Cash and cash equivalents at end of the period	3	<u>18,236</u>

Chairman

Chief Executive Officer

Senior Finance Manager

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 period from 3 July 2013 to 30 SEPTEMBER 2014

	Note	SR' 000
OPERATING ACTIVITIES		
Net income for the period before Zakat		11,822
Adjustments for the period:		
Realised gain on investments		(2,869)
Unrealised gain on FVIS investments		(354)
		<u>8,599</u>
<i>Change in operating assets and liabilities</i>		
Statutory deposit	7	(35,000)
Accrued profit		(517)
Due from Insurance Operations		(4,273)
Accrued expenses and other liabilities		1,262
Net cash flows used in operating activities		<u>(29,929)</u>
INVESTING ACTIVITIES		
Purchase of FVIS investments	6	(302,962)
Murabaha deposit		(180,000)
Proceeds from disposal of investments		185,727
Net cash flows used in investing activities		<u>(297,235)</u>
FINANCING ACTIVITIES		
Issue of share capital	9	350,000
Transaction costs relating to issue of share capital	9	(4,465)
Net cash flows from financing activities		<u>345,535</u>
Cash and cash equivalents at the end of the period	3	<u>18,371</u>

Chairman

Chief Executive Officer

Senior Finance Manager

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

**NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 30 SEPTEMBER 2014
AND FOR THE PERIOD FROM 3 JULY 2013 TO 30 SEPTEMBER 2014**

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. During the period, the Company has 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 will manage the insurance portfolio of the founding shareholder in consideration of receiving a management fee at the rate of 20% of total revenue of founding shareholder's portfolio.

As per the Company's by-laws and Article of Association, the Company's first fiscal year shall commence on the issuance date of Ministerial Resolution announcing the incorporation of the Company which was 24 Sha'baan 1434H corresponding to 3 July 2013 and will be ending on 31 December of the following year, being 31 December 2014.

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 in accordance with International Financial Reporting Standards ("IFRS").

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.

These unaudited interim condensed financial statements, cover the three-month period ended 30 September 2014 and for the period from 3 July 2013 to 30 September 2014. As these interim condensed financial statements are first financial statements of the Company, no comparative information is presented.

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

**NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
FOR THE THREE-MONTH PERIOD ENDED 30 SEPTEMBER 2014
AND FOR THE PERIOD FROM 3 JULY 2013 TO 30 SEPTEMBER 2014**

**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's interim results may not be indicative of its annual results. 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.

(b) 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.

(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 date</u>
IFRS 9	Financial Instruments – Classification & Measurement	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 2017
IAS 16 and IAS 38	Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016

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

(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparation of these interim condensed financial statements as a result of commencement of the Company are set out below:

Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and Murabaha deposits that have original maturity period not exceeding three months.

Murabaha deposits

Murabaha deposits, with original maturity of more than three months, are recognised in the statement of financial position at fair value.

Contributions receivable

Contributions receivable are stated at gross considerations from Insurance contract less an allowance for any uncollectible amounts (impairment). An allowance for impairment is made when collection of due amount is no longer probable. Bad debts are written off as incurred.

Available-for-sale investments held to cover unit-linked liabilities

The classification depends on the purpose for which the investments were acquired or originated. The Company's investments are classified as available-for-sale investments.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale. These investments are initially recorded at fair value. After initial measurement available-for-sale investments are measured at fair value.

Financial assets held to cover unit-linked liabilities represent assets associated with certain contracts, for which the investment risk lies predominantly with the contract holder. These represent investments in units of mutual funds, which are readily marketable. Fair value gains and losses are reported as a separate component and included under the reserve for Insurance activities.

FVIS Investments

Investments are classified as Fair Value through Statement of Income (FVIS), if the fair value of the investment can be reliably measured and the classification as FVIS is as per the documented strategy of the Company. Investment classified as FVIS are initially recognised at cost, being fair value of consideration given. Subsequently, such investments are re-measured at fair value, with all changes in fair value being recorded in the statement of shareholders' operations.

Fair values of investments are based on quoted prices for the marketable securities.

Reserve for Insurance activities

The provision for investment contract liabilities is calculated on the basis of an actuarial valuation method by independent appointed actuary through the use of the current unit fund price.

The actuarial valuation includes a provision for participation which is the amount the Company expects to pay investment contract holders.

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

**NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
FOR THE THREE-MONTH PERIOD ENDED 30 SEPTEMBER 2014
AND FOR THE PERIOD FROM 3 JULY 2013 TO 30 SEPTEMBER 2014**

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

(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the insurance contracts liabilities. In performing these tests, management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of insurance operations and accumulated surplus by establishing a provision for losses arising from liability adequacy tests (the un-expired risk provision).

Where the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

Reinsurance

The Company cedes its Insurance risk in the normal course of business for all of its segments. Reinsurance contracts are contracts entered into by the Company under which the Company is compensated for losses on Insurance contracts issued. The Company only deals with reinsurers approved by the management, which are rated at least BBB or above by international rating agencies. Reinsurance arrangements do not relieve the Company from its obligations to policyholders.

The benefits to which the Company is entitled under its Reinsurance contracts held are recognised as Reinsurance assets. These assets consist of the Reinsurance share of settlement of claims and other receivables such as profit commissions and the Reinsurance share of outstanding claims that are dependent on the expected claims and benefits arising under the related Reinsurance contracts. Reinsurance liabilities represent balances due to Reinsurance companies.

Amounts recoverable from or due to Reinsurance companies are recognised consistently with the amounts associated with the underlying Insurance contracts and in accordance with the terms of each Reinsurance contract.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Contribution deposit

Contribution deposit is taken from potential policy holders in respect of initial contribution. On completion of mandatory documentation and medical examination of potential policy holder, this deposit transfers to gross written contribution.

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Zakat and income tax

Zakat and income tax are provided for in accordance with the Saudi Arabian fiscal regulations. Zakat is debited to the Saudi founding shareholders and general public equity accounts while income tax is debited to non-Saudi founding shareholders' equity accounts. Additional amounts, if any, that may become due on finalisation of an assessment are recorded in the year in which the assessment is finalised.

As all Zakat and income tax charges will be recovered from the shareholders, no adjustments are made in the financial statements to account for the effects of deferred income taxes.

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

(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Contributions are taken into statement of Insurance Operations and accumulated surplus over the terms of the policies to which they relate on a pro-rata basis. Unearned contributions represent the portion of contributions written relating to the unexpired period of coverage at the reporting date. The change in the provision for unearned contributions is taken to the statement of insurance operations and accumulated surplus in order that revenue is recognised over the period of risk.

Rebate pertaining to unit-linked investments are calculated in accordance with the terms of agreement with Fund Manager and is accounted for on accrual basis.

Gain or loss on sale of investment is recognised as income or loss in the statement of shareholders' operations.

Portfolio management fee is calculated in accordance with the terms of agreement with the founding shareholder and is accounted for on accrual basis.

Pre-incorporation expenses

Pre-incorporation expenses that are not of economic benefit beyond the current period are charged to the Statement of Shareholders' Operations.

Transaction cost

Transaction costs to raise share capital are incremental costs that are directly attributable to the issue of share capital are accounted for as a deduction from equity.

Impairment of financial assets

The Company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. If such evidence exists, impairment loss is recognised in the statement of shareholders' operations.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing a significant financial difficulty, default or delinquency in repayments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Impairment is determined as follows:

- (a) for assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
- (b) for assets carried at amortised cost, impairment is the difference between the carrying amount and the present value of future cash flows discounted at the original effective commission rate.

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

(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's, or cash-generating unit's (CGU), fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of three to five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of shareholders' operations in expense categories consistent with the function of the impaired asset, except for a property previously revalued and where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Shareholders' Operations unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

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

(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Statement of Shareholders' Operations unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

Foreign currencies

The accounting records of the Company are maintained in Saudi Arabian Riyals. Transactions in foreign currencies are recorded in Saudi Arabian Riyals at the approximate rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Statement of Financial Position date.

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AND FOR THE PERIOD FROM 3 JULY 2013 TO 30 SEPTEMBER 2014**

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

(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values

Financial instruments include cash and cash equivalents, available-for-sale investments held to cover unit-linked liabilities, contribution receivable, accrued income, other receivables, Reinsurance share of outstanding claims, due from Insurance Operations, Reinsurance balances payable, due to related parties, due to Shareholders' Operations, gross outstanding claims, other payables and employees' end of service benefits.

Except for the fair value of available-for-sale investments which are based on unit prices quoted on Tadawul, the fair values of all other financial instruments are estimated using prevailing valuation methods.

Claims

Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, are charged to Statement of Insurance Operations and Accumulated Surplus as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Company and those not reported at the statement of financial position date.

The Company generally estimates its claims based on actuarial input. This includes a provision based on management's judgment and the cost of settling claims incurred but not reported at the statement of financial position date.

The Company does not discount its liability for unpaid claims.

3. CASH AND CASH EQUIVALENTS

	30 September 2014
	(Unaudited)
	SR '000
<i>Insurance Operations</i>	
Cash at bank	18,236
<i>Shareholders' Operations</i>	
Cash at bank	18,371

Cash at bank is held with founding shareholders. Cash at bank in shareholders operations include a call deposit amounting to SR 5.7 million held with a founding shareholder for investment purposes.

4. MURABAHA DEPOSIT

Murabaha deposit amounting to SR 180 million held with a founding shareholder. The deposit carries the profit rate of 1.5% per annum. The carrying amount disclosed reasonably approximate fair value at the interim statement of financial position date.

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

	<i>Initial value</i>	<i>Change in fair value</i>	<i>30 September 2014 (Unaudited)</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
Insurance Operations			
Al Jazira Diversified Aggressive Fund	5,487	180	5,667
Al Jazira Diversified Balanced Fund	591	15	606
Al Jazira Diversified Conservative Fund	89	3	92
	<u>6,167</u>	<u>198</u>	<u>6,365</u>

Investment of Insurance operation 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).

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

The Company's available-for-sale investments are classified under Level 1 hierarchy.

6. FVIS INVESTMENTS

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

	<i>For the period from 3 July 2013 to 30 September 2014 (Unaudited) SR'000</i>
Purchases during the period	302,962
Disposals during the period	(182,858)
Changes in fair value during the period	354
Balance at end of the period	<u>120,458</u>

During the period ended 30 September 2014, the Company invested SR 120.1 million in the 'Al Qawafel Fund' managed by a founding shareholder.

The Company's FVIS investments are classified under Level 1 hierarchy.

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7. STATUTORY DEPOSIT

As required by Saudi Arabian Insurance Regulations, the Company deposited 10% of its paid up capital, amounting to SR 35 million in a bank designated by the Saudi Arabian Monetary Agency (SAMA). The Company cannot withdraw this deposit without SAMA's approval.

8. RESERVE FOR INSURANCE ACTIVITIES

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

	30 September 2014
	(Unaudited) SR '000
Investible contributions	6,260
Technical reserve for Insurance activities	835
Mathematical reserve – net	386
Change in fair value of available-for-sale investments (note 5)	198
	7,679

9. SHARE CAPITAL

The authorized, issued and paid up share capital of the Company is SR 350 million at period end consisting of 35 million shares of SR 10 each and subscribed by the following:

	30 September 2014	
	% holding	(Unaudited) SR '000
Founding Shareholders	70	245,000
General public	30	105,000
	100	350,000

The Company incurred a sum of SR 4.5 million as transaction costs to raise capital of SR 105 million through an Initial Public Offer (IPO) and has deducted from equity. Moreover, pre-incorporation expenses amounting to SR 3 million have been paid by a founding shareholder (note 11).

10. PRE-INCORPORATION INCOME, NET

Profit on Murabaha deposits from the date of Ministerial Decree No. 137 dated 27 Rabi' Al-Thani 1431H (corresponding to 12 April 2010) up to the date of Ministerial Resolution dated 24 Sha'baan 1434H corresponding to 3 July 2013, has been recorded as pre-incorporation income of the Company. Pre-incorporation income, net for the period from 3 July 2013 to 30 September 2014 comprise of as follows:

	For the period from 3 July 2013 to 30 September 2014
	(Unaudited) SR '000
Profit on Murabaha deposits (note 11)	2,259
Less: <i>pre-incorporation expenses</i>	
License fee	100
Legal and professional fees	110
Product development fees	400
Advertisement	42
Others	10
	662
	1,597

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10. PRE-INCORPORATION INCOME, NET – (continued)

Pre-incorporation expenses include SR 411 thousand, cost incurred by a founding shareholder on behalf of the Company, and subsequently recharged to the Company, for the period up to 3 July 2013 being the date of issuance of Ministerial Resolution declaring the incorporation of the Company (note 11).

11. TRANSACTIONS WITH RELATED PARTIES

- a) In addition to the disclosures set out in Notes 1, 3, 4, 5, 6, 9 and 10, following are the details of major related party transactions during the period from 3 July 2013 to 30 September 2014:

<u>Related party</u>	<u>Nature of transaction</u>	<u>Amount of transaction for the period from 3 July 2013 to 30 September 2014</u> (Unaudited) SR '000
Shareholders' Operations		
<i>Bank AlJazira (founding 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) (Note 10)	2,259
	Profit earned from Murabaha deposits	4,787
	Profit earned from Mutual funds	102
Insurance Operations		
<i>Bank AlJazira (founding shareholder)</i>	Portfolio management fee	2,795

- b) Amount due from a related party represents receivable from Bank AlJazira (founding shareholder).

12. ZAKAT & INCOME TAX

As per the Company's by-laws and Articles of Association, the Company's first fiscal year will be ending on 31 December 2014. Accordingly, the Company is not subject to Zakat as at 30 September 2014 and also not required to file the related return. However, the Company made a provision for Zakat for the period from 3 July 2013 to 30 September 2014 amounting to SR 3 million.

The Company made a provision of SR 48 thousand for income tax for the period from 3 July 2013 to 30 September 2014. The tax paid will be considered provisional and will be deducted from the final tax liability computed for the long period.

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13. 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.

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. The Company's gross written contributions, net written contributions, net contributions earned, fees and commission income, net claims; incurred, surrenders and maturities, policy acquisition costs - net, underwriting surplus, investment income, general and administrative expenses, net surplus / (deficit), surplus from Insurance Operations, available-for-sale investments, contributions receivables, and unearned contributions, total assets, reserve for Insurance activities, unearned contributions, gross outstanding claims, unearned commission income, 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 life segment offers life protection programs to the members of organizations on a group basis.

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

	Individual	Group life	Total
For three-month period ended 30 September 2014 – unaudited	SAR'000	SAR'000	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)
Net Insurance revenue	1,491	4,414	5,905
Reserve for Insurance activities	(318)	-	(318)
Incurred but not reported claim (IBNR & IBNER)	-	(1,408)	(1,408)
Policy acquisition cost	(220)	-	(220)
Supervision and inspection fee	(24)	(78)	(102)
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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14. SEGMENT INFORMATION – (continued)

	Individual	Group life	Total
For the period from 3 July 2013 to 30 September 2014 –unaudited	SAR'000	SAR'000	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)
Net Insurance revenue	3,315	4,443	7,758
Reserve for Insurance activities	(1,221)	-	(1,221)
Incurred but not reported claim (IBNR & IBNER)	-	(1,410)	(1,410)
Policy acquisition cost	(487)	-	(487)
Supervision and inspection fee	(49)	(78)	(127)
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			<u>4,081</u>

As at 30 September 2014 – unaudited

INSURANCE OPERATIONS' ASSETS

Available-for-sale investments held to cover unit link liabilities	6,365	-	6,365
Contributions receivable	1,057	-	1,057
Reinsurance share of unearned contributions	-	4,000	4,000
Unallocated assets	-	-	20,333
TOTAL INSURANCE OPERATIONS' ASSETS	<u>7,422</u>	<u>4,000</u>	<u>31,755</u>

INSURANCE OPERATIONS' LIABILITIES AND SURPLUS

Reserves for Insurance activities	7,679	-	7,679
Unearned contributions	-	14,381	14,381
Incurred but not reported claim (IBNR & IBNER)	-	1,410	1,410
Advance contributions	78	-	78
Contributions deposit	362	-	362
Reinsurance balances payable	73	870	943
Unallocated liabilities	-	-	6,494
Surplus from insurance operations	-	-	408
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS	<u>8,192</u>	<u>16,661</u>	<u>31,755</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 28 October 2014, corresponding to 4 Muharram 1436H.