
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 2019

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 2019

INDEX	PAGE
Independent Auditors' Review Report	1
Interim Condensed Statement of Financial Position	2
Interim Condensed Statement of Income	3 - 4
Interim Condensed Statement of Comprehensive Income	5
Interim Condensed Statement of Changes in Equity	6
Interim Condensed Statement of Cash Flows	7
Notes to the Interim Condensed Financial Statements	8 – 33

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
At 30 September 2019

1. GENERAL

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

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

The objectives of the Company are to engage in providing insurance products including protection and saving insurance products and related services in accordance with its By-Laws and applicable regulations in the Kingdom of Saudi Arabia. The Company received licence number TMN/34/201312 dated 15 Safar 1435H (corresponding to 18 December 2013) from the Saudi Arabian Monetary Authority (SAMA) to conduct insurance business. The Company is owned 99.46% by Saudi founding shareholders and general public subject to Zakat and 0.54% by non-Saudi founding shareholders subject to income tax.

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

2. BASIS OF PREPARATION

a) Basis of presentation

The interim condensed financial statements of the Company as at and for the period ended 30 September 2019 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants ("SOCPA").

The financial statements of the Company as at and for the period and year ended 31 March 2019 and 31 December 2018, respectively, were prepared in compliance with the IAS 34 and the International Financial Reporting Standards ("IFRS") respectively, as modified by SAMA for the accounting of Zakat and income tax (relating to the application of IAS 12 – "Income Taxes" and IFRIC 21 – "Levies" so far as these relate to Zakat and income tax) and the Company's By-laws and the Regulations for Companies in the Kingdom of Saudi Arabia.

On 17 July 2019, SAMA instructed the insurance companies in the Kingdom of Saudi Arabia to account for the Zakat and income taxes in the statement of income. This aligns with the IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

Accordingly, the Company changed its accounting treatment for Zakat and income tax by retrospectively adjusting the impact in line with International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors (as disclosed in note 3 to the interim condensed financial statements).

The interim condensed financial information is prepared under the going concern basis and the historical cost convention, except for the measurement of investments (excluding held-to-maturity) at their fair value.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2019

2. BASIS OF PREPARATION (continued)

a) Basis of presentation (continued)

The Company's interim condensed statement of financial position is presented in order of liquidity. Except for furniture and fixtures, statutory deposit, employee benefits, outstanding claims, claims incurred but not reported, unit reserve and mathematical reserve, all other assets and liabilities are of short-term nature, unless, stated otherwise.

As required by the Saudi Arabian Insurance Regulations (the Implementation Regulations), the Company maintains separate books of accounts for "Insurance Operations" and "Shareholders' Operations". Accordingly, assets, liabilities, revenues and expenses clearly attributable to either operation, are recorded in the respective accounts.

The interim condensed financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as of and for the year ended 31 December 2018.

The interim condensed financial statements may not be considered indicative of the expected results for the full year.

These interim condensed financial statements are expressed in Saudi Arabian Riyals (SR) and are rounded off to the nearest thousands.

b) Critical judgments, accounting estimates and assumptions

The preparation of interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied to the annual financial statements as at and for the year ended 31 December 2018 except as disclosed under note 3.

c) Seasonality of operations

There are no seasonal changes that may affect insurance operations of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

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) as endorsed in the Kingdom of Saudi Arabia and are consistent with those used for the preparation of the annual financial statements for the year ended 31 December 2018 except for Zakat and income tax (see note 3(a)) and new amended IFRS and International Financial Reporting Interpretations Committee Interpretations (IFRIC) as mentioned in note 3(b) which had no impact on the financial position or financial performance of the Company. Certain comparatives has also been revised due to change in accounting policy for presentation of Zakat and income tax as explained below to these interim condensed financial statements.

a) Change in accounting for Zakat and income tax

As mentioned in note 2, the basis of preparation has been changed for the period ended 30 September 2019 as a result of the issuance of latest instructions from SAMA dated 17 July 2019. Previously, Zakat and income tax were recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 17 July 2019, the Zakat and income tax shall be recognized in the statement of income. The Company has accounted for this change in the accounting for Zakat and income tax retrospectively. The change has resulted in reduction of reported income of the Company for the nine month and three month periods ended 30 September 2018 by SR 839 thousand and SR 410 thousand respectively. The change has had no impact on the statement of cash flows for the period ended 30 September 2018.

Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Change in accounting for Zakat and income tax (continued)

Income tax (continued)

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Adjustments arising from the final income tax assessments are recorded in the period in which such assessments are made.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Company applies significant judgement in identifying uncertainties over income tax treatments.

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's tax filings include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Company determined, based on its tax compliance and transfer pricing study that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements of the Company.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognized.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Change in accounting for Zakat and income tax (continued)

Zakat

The Company is subject to Zakat in accordance with the regulations of the General Authority of Zakat and Income Tax ("GAZT"). Zakat expense is charged to the profit or loss. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to Zakat.

Impact on the interim condensed statement of Income:

The change in the accounting policy for Zakat and income tax (as explained in note 2) has the following impact on the line items of the statements of income and changes in shareholders' equity:

As at and for the nine month period ended 30 September 2018:

Account	Financial statement impacted	Before the restatement for the nine month period ended 30 September 2018	Effect of restatement	As restated as at and for the nine month period ended 30 September 2018
Zakat and income tax	Statement of income	-	(839)	(839)
Net income for the period	Statement of income	21,708	(839)	20,869
Earnings per share for the period (expressed in SR per share)	Statement of income	0.620	(0.024)	0.596
Zakat and income tax (retained earnings)	Statement of changes in equity	(839)	839	-
Total comprehensive income for the period	Statement of comprehensive income and statement of changes in equity	21,708	(839)	20,869

As at and for the three month period ended 30 September 2018:

Account	Financial statement impacted	Before the restatement for the three month period ended 30 September 2018	Effect of restatement	As restated as at and for the three month period ended 30 September 2018
Zakat and income tax	Statement of income	-	(410)	(410)
Net income for the period	Statement of income	7,856	(410)	7,446
Earnings per share for the period (expressed in SR per share)	Statement of income	0.224	(0.011)	0.213
Zakat and income tax (retained earnings)	Statement of changes in equity	(410)	410	-
Total comprehensive income for the period	Statement of comprehensive income and statement of changes in equity	7,856	(410)	7,446

The financial impact of adoption of accounting policy for deferred tax is not material to the interim condensed financial statements, therefore prior period amounts have not been restated.

As required under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the balances as of 1 January 2018 were not presented in the statement of financial position as change in the accounting policy has not resulted in restatement of the amounts relating to year ended 31 December 2017.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) New IFRS, IFRIC and amendments thereof, adopted by the Company

The Company has adopted the following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB):

<u>Standard/ Amendments</u>	<u>Description</u>
IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
IAS 28	Long term interests in associates and joint ventures
IAS 19	Plan amendments, curtailments or settlements
IFRS 3,11 and IAS 12, 23	Annual Improvements to IFRS 2015 - 2017 cycle.

The adoption of the relevant new and amended standards and interpretations applicable to the Company did not have any significant impact on these interim condensed financial statements.

c) Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's interim condensed financial statements are listed below. The listing is 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 are effective.

<u>Standard/ Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
IFRS 9	Financial Instruments	Refer below
IFRS 17	Insurance Contracts (note below)	1 January 2022

IFRS 9 and IFRS 17

In July 2014, the IASB published IFRS 9 Financial Instruments which will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard incorporates new classification and measurements requirements for financial assets, the introduction of an expected credit loss (ECL) impairment model which will replace the incurred loss model of IAS 39, and new hedge accounting requirements. Under IFRS 9:

- All financial assets will be measured at either amortised cost or fair value. The basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. The standard retains most of IAS 39's requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value changes attributable to own credit is to be recognised in other comprehensive income instead of the statement of income.
- IFRS 9 requires entities to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through statement of income as well as finance lease receivables, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. Under IFRS 9, credit losses are recognised earlier than under IAS 39.
- The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle based approach.

In September 2016, the IASB published amendments to IFRS 4 Insurance Contracts that address the accounting consequences of the application of IFRS 9 to insurers prior to the publication of the forthcoming accounting standard for insurance contracts. The amendments introduce two options for insurers: the deferral approach and the overlay approach. The deferral approach provides an entity, if eligible, with a temporary exemption from applying IFRS 9 until the earlier of the effective date of a new insurance contract standard or 2022. The overlay approach allows an entity to remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contracts standard is applied.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Standards issued but not yet effective (continued)

Under the temporary exemption as introduced by amendments to IFRS 4, the reporting entities whose activities predominantly relate to “insurance” can defer the implementation of IFRS 9. The Company having assessed the implications and has concluded to defer the implementation of IFRS 9 until a later date which will not be later than 1 January 2022.

The impact of the adoption of IFRS 9 on the Company’s interim condensed financial statements will, to a large extent, have to take into account the interaction with the forthcoming insurance contracts standard. As such, it is not possible to fully assess the effect of the adoption of IFRS 9.

4. CASH AND CASH EQUIVALENTS

	<i>Insurance operations SR'000</i>	<i>Shareholders' operations SR'000</i>	<i>Total SR'000</i>
<i>30 September 2019 (Unaudited)</i>			
Cash at bank	17,258	2,599	19,857
Total	<u>17,258</u>	<u>2,599</u>	<u>19,857</u>
<i>31 December 2018 (Audited)</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Cash at bank	13,208	3,854	17,062
Total	<u>13,208</u>	<u>3,854</u>	<u>17,062</u>

Cash at bank, except for an amount SR 0.5 million (31 December 2018: SR 0.5 million) are held with Bank AlJazira “the founding shareholder”.

5. CONTRIBUTIONS RECEIVABLE, NET

	<i>30 September 2019 (Unaudited) SR'000</i>	<i>31 December 2018 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Gross contributions receivable	6,981	1,688
Allowance for doubtful receivables	(677)	(55)
Contributions receivable, net	<u>6,304</u>	<u>1,633</u>

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2019

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

	<i>Initial cost value SR'000</i>	<i>Change in fair value SR'000</i>	<i>30 September 2019 (Unaudited) SR'000</i>
Insurance Operations			
AlJazira Saudi Riyal Murabaha Fund	700	15	715
AlJazira Diversified Aggressive Fund	116,312	9,321	125,633
AlJazira Diversified Balanced Fund	31,649	1,622	33,271
AlJazira Diversified Conservative Fund	5,373	132	5,505
	<u>154,034</u>	<u>11,090</u>	<u>165,124</u>
	<u>154,034</u>	<u>11,090</u>	<u>165,124</u>
	<i>Initial cost value SR'000</i>	<i>Change in fair value SR'000</i>	<i>31 December 2018 (Audited) SR'000</i>
Insurance Operations			
AlJazira Saudi Riyal Murabaha Fund	652	13	665
AlJazira Diversified Aggressive Fund	104,659	(5,794)	98,865
AlJazira Diversified Balanced Fund	25,850	(786)	25,064
AlJazira Diversified Conservative Fund	3,639	(3)	3,636
	<u>134,800</u>	<u>(6,570)</u>	<u>128,230</u>
	<u>134,800</u>	<u>(6,570)</u>	<u>128,230</u>

Investment of Insurance operations comprises of units of mutual funds dominated in Saudi Riyal managed by AlJazira Capital “the founding shareholder”.

7. INVESTMENTS

	<i>30 September 2019 (Unaudited)</i>			<i>31 December 2018 (Audited)</i>		
	<i>Insurance operations SR'000</i>	<i>Shareholders' operations SR'000</i>	<i>Total SR'000</i>	<i>Insurance operations SR'000</i>	<i>Shareholders' operations SR'000</i>	<i>Total SR'000</i>
Held to maturity investments (7.1)	15,800	312,523	328,323	15,458	306,923	322,381
FVIS investments (7.2)	33,827	30,529	64,356	43,072	30,376	73,448
Total	<u>49,627</u>	<u>343,052</u>	<u>392,679</u>	<u>58,530</u>	<u>337,299</u>	<u>395,829</u>
	<u>49,627</u>	<u>343,052</u>	<u>392,679</u>	<u>58,530</u>	<u>337,299</u>	<u>395,829</u>

7.1 Held-to-maturity investments

Held-to-maturity investments represents Murabaha deposit of SR 253,545 thousand (31 December 2018: SR 322,381 thousand) with a maturity of three years made with Bank AlJazira “the founding shareholder” and Sukuk of SR 74,778 thousand (31 December 2018: nil) with a maturity of 12 to 15 years. The average commission rate on Murabaha deposit at 30 September 2019 is 3.00% to 3.20% per annum (31 December 2018: 3.00% to 3.20% per annum) and yield to maturity on Sukuk is 3.24% to 3.52% per annum (31 December 2018: nil).

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2019

7. INVESTMENTS (continued)

7.1 Held-to-maturity investments (continued)

The movement in the held to maturity investments for the period/year ended 30 September 2019 and 31 December 2018 is as follows:

	<i>30 September 2019 (Unaudited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Balance at the beginning of the period	15,458	306,923	322,381
Commission from held-to-maturity investments	342	7,017	7,359
Commission received from held-to-maturity investments	-	(1,417)	(1,417)
Balance at the end of the period	15,800	312,523	328,323

	<i>31 December 2018 (Audited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Balance at the beginning of the year	15,001	297,585	312,586
Commission from held-to-maturity investments	457	9,338	9,795
Balance at the end of the year	15,458	306,923	322,381

7.2 FVIS investments

The fair value through income statement ("FVIS") investments represent investment in 'AlJazira Capital' managed by a founding shareholder, amounting to SR 63,941 thousand (31 December 2018: SR 73,073 thousand), and investment in shares of companies listed on Tadawul, amounting to SR 415 thousand (31 December 2018: SR 375 thousand).

Movement in FVIS investments for the period/year ended 30 September 2019 and 31 December 2018 is as follows:

	<i>30 September 2019 (Unaudited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' Operations</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Balance at beginning of the period	43,072	30,376	73,448
Purchases during the period	-	3,500	3,500
Disposals during the period	(9,980)	(4,000)	(13,980)
Changes in fair value	735	653	1,388
Balance at the end of the period	33,827	30,529	64,356

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2019

7. INVESTMENTS (continued)

7.2 FVIS investments (continued)

31 December 2018 (Audited)

	<i>Insurance operations SR'000</i>	<i>Shareholders' operations SR'000</i>	<i>Total SR'000</i>
Balance at beginning of the year	-	31,700	31,700
Disposals during the year	-	(24,472)	(24,472)
Purchases during the year	43,000	23,000	66,000
Changes in fair value	72	148	220
Balance at the end of the year	<u>43,072</u>	<u>30,376</u>	<u>73,448</u>

8. UNIT RESERVE

	<i>Nine month period ended 30 September 2019 (Unaudited) SR'000</i>	<i>Year ended 31 December 2018 (Audited) SR'000</i>
Balance at beginning of the period/year	130,290	107,177
Investible contributions	41,418	48,513
Surrenders	(15,218)	(18,830)
Change in fair value of available-for-sale investments (note 6)	11,090	(6,570)
Balance at the end of the period/year	<u>167,580</u>	<u>130,290</u>

9. MATHEMATICAL RESERVE

Mathematical reserve is created, as per the report received from the Independent Actuary, as detailed below:

	<i>Nine month period ended 30 September 2019 (Unaudited) SR'000</i>	<i>Year ended 31 December 2018 (Audited) SR'000</i>
Balance at beginning of the period/year	557	958
Change in mathematical reserve, net	(51)	(401)
Balance at the end of the period/year	<u>506</u>	<u>557</u>

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2019

10. MOVEMENT IN UNEARNED CONTRIBUTION

	<i>Nine month period ended 30 September 2019 (Unaudited)</i>			<i>Year ended 31 December 2018 (Audited)</i>		
	<i>Reinsurers'</i>		<i>Net</i>	<i>Reinsurers'</i>		<i>Net</i>
	<i>Gross</i>	<i>share</i>		<i>Gross</i>	<i>share</i>	
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Balance at beginning of the period/year	22,774	(9,006)	13,768	18,342	(7,261)	11,081
Contributions written/(ceded) during the period/year	69,410	(5,275)	64,135	101,145	(18,625)	82,520
	<u>92,184</u>	<u>(14,281)</u>	<u>77,903</u>	<u>119,487</u>	<u>(25,886)</u>	<u>93,601</u>
Investible contributions and contributions earned during the period/year	(85,514)	11,556	(73,958)	(96,713)	16,880	(79,833)
Balance at the end of the period/year	<u>6,670</u>	<u>(2,725)</u>	<u>3,945</u>	<u>22,774</u>	<u>(9,006)</u>	<u>13,768</u>

11. OUTSTANDING CLAIMS

	<i>30 September 2019 (Unaudited)</i>			<i>31 December 2018 (Audited)</i>		
	<i>Reinsurers'</i>		<i>Net</i>	<i>Reinsurers'</i>		<i>Net</i>
	<i>Gross</i>	<i>share</i>		<i>Gross</i>	<i>share</i>	
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
At beginning of the period/year						
Reported claims	10,015	(7,918)	2,097	12,901	(10,685)	2,216
IBNR	10,997	(8,089)	2,908	8,338	(4,901)	3,437
	<u>21,012</u>	<u>(16,007)</u>	<u>5,005</u>	<u>21,239</u>	<u>(15,586)</u>	<u>5,653</u>
Incurred during the period/year (Paid)/recovered during the period/year	21,073	(19,271)	1,802	10,964	(9,566)	1,398
	<u>(4,850)</u>	<u>3,699</u>	<u>(1,151)</u>	<u>(11,191)</u>	<u>9,145</u>	<u>(2,046)</u>
At end of the period/year	<u>37,235</u>	<u>(31,579)</u>	<u>5,656</u>	<u>21,012</u>	<u>(16,007)</u>	<u>5,005</u>
At end of the period/year						
Reported claims	28,270	(24,496)	3,774	10,015	(7,918)	2,097
IBNR	8,965	(7,083)	1,882	10,997	(8,089)	2,908
	<u>37,235</u>	<u>(31,579)</u>	<u>5,656</u>	<u>21,012</u>	<u>(16,007)</u>	<u>5,005</u>

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2019

12. TRANSACTIONS WITH RELATED PARTIES

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

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

<u>Related party</u>	<u>Nature of transaction</u>	<u>Amount of transaction</u>	
		<u>30 September 2019</u> (Unaudited) SR'000	<u>30 September 2018</u> (Unaudited) SR'000
<i>Bank AlJazira</i>	Commission earned from held-to-maturity investment	7,359	7,327
	Commission income on deposits	30	585
	Gross written contribution	15,611	38,799
	Claims paid	4,770	6,951
<i>Founding shareholders</i>	Dividends paid	-	17,150
<i>AlJazira Capital</i>	Profit earned on mutual funds	1,367	251
<i>Aman Insurance Agency Company</i>	Commission	1,466	-
<i>Board of directors and committee members</i>	Gross written contribution	41	39
<i>Key management personnel</i>	Salaries, benefits and allowances, net	829	780
	Gross contribution written	38	31

- b) Amount due from a related party represents receivable from Bank AlJazira (founding shareholder) (see note 1).
- c) Contributions receivable shown in interim statement of financial position includes SR 6,266 thousand (31 December 2018: SR 1,126 thousand) from Bank AlJazira (founding shareholder).

13. ZAKAT AND INCOME TAX

The Zakat and income tax payable by the Company has been calculated in accordance with Zakat and income tax regulations in the Kingdom of Saudi Arabia. The movement in the Zakat and income tax payable during the nine month period ended 30 September 2019 and year ended 31 December 2018 is as follows:

	<u>30 September 2019</u> (Unaudited) SR'000	<u>31 December 2018</u> (Audited) SR'000
a) Zakat		
Balance at the beginning of period/year	907	895
Zakat for the period/year	735	854
Zakat paid during the period/year	(871)	(842)
Balance at the end of the period/year	<u>771</u>	<u>907</u>
b) Income tax		
Balance at the beginning of period/year	132	128
Income tax for the period/year	35	142
Income tax paid during the period/year	(104)	(138)
Balance at the end of the period/year	<u>63</u>	<u>132</u>
Total Zakat and income tax	<u>834</u>	<u>1,039</u>

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2019

13. ZAKAT AND INCOME TAX (continued)

Status of assessments

The Company has submitted its Zakat and income tax returns for the period ended 31 December 2014 and for the years ended 31 December 2015 to 2018 with General Authority of Zakat and Tax ("GAZT") and obtained restricted certificates. GAZT has not yet raised their assessments.

14. EARNINGS PER SHARE

The basic and diluted earnings per share have been calculated by dividing the net income for the period by the weighted average number of ordinary shares issued and outstanding at the period end. Diluted earnings per share is not applicable to the Company. Basic and diluted earnings per share has also been revised due to change in accounting policy for the presentation of Zakat and income tax as explained in note 3 to these interim condensed financial statements.

15. FAIR VALUES OF FINANCIAL INSTRUMENTS

a) Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company's financial assets consist of cash at banks, contribution receivable, available-for-sale investments held to cover unit-linked liabilities, FVIS investments, held-to-maturity investments, other receivables, due from insurance operations and its financial liabilities consist of other liabilities, reinsurance balances payable and outstanding claims. The fair values of financial instruments are not materially different from their carrying values. As at 30 September 2019, apart from the investments which are carried at fair value (note 6 and 7), there were no other financial instruments held by the Company that were measured at fair value.

b) The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:
Level 1: quoted prices in active markets for the same instrument (i.e. without modification or repackaging);
Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
Level 3: valuation techniques for which any significant input is not based on observable market data.

The following table presents the Company's financial assets that are measured at fair values:

	<u>Carrying Value</u>	<u>Amortised cost</u>	<u>30 September 2019 (SR'000)</u>		
			<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Financial assets measured at fair value:					
Available-for-sale investments held to cover unit-linked liabilities	165,124	-	-	165,124	165,124
Investments	392,679	74,778	253,545	64,356	392,679
Total	557,803	74,778	253,545	229,480	557,803
			<u>31 December 2018 (SR'000)</u>		
			<u>Fair Value (Audited)</u>		
	<u>Carrying Value</u>	<u>Amortised cost</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Financial assets measured at fair value:					
Available-for-sale investments held to cover unit-linked liabilities	128,230	-	-	128,230	128,230
Investments	395,829	-	322,381	73,448	395,829
Total	524,059	-	322,381	201,678	524,059

There are no financial assets where fair value is measurable as Level 3 fair value.
There are no transfers between Level 1, Level 2 and Level 3 during the period.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2019

16. OPERATING SEGMENT INFORMATION

Operating segments are reported in manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Managing Director that makes strategic decisions. For management purposes, the activities of Insurance Operations, which are all in the Kingdom of Saudi Arabia, are reported under three 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 has segment offers life protection programmers to the members of organizations on a group basis, and credit protection benefits in respect of personal loan given by financing organization. This segment also includes protection benefits in respect of various credit facilities other than personal loans extended by the financing organizations to its customers.

The unallocated assets and liabilities are not reported to the chief operating decision maker under related segment and are monitored on a centralized basis.

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

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2019

16. OPERATING SEGMENT INFORMATION (continued)

	<i>As at 30 September 2019 (Unaudited)</i>		
	<i>Individual</i>	<i>Group</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
ASSETS			
Contributions receivable, net	-	6,304	6,304
Reinsurers' share of unearned contributions	-	2,725	2,725
Reinsurers' share of outstanding claims	88	24,408	24,496
Reinsurers' share of claims incurred but not reported	-	7,083	7,083
Available-for-sale investments held to cover unit link liabilities	165,124	-	165,124
	<u>165,212</u>	<u>40,520</u>	<u>205,732</u>
Unallocated assets:			
Cash and cash equivalents			19,857
Investments			392,679
Due from a related party			25,635
Prepayments and other assets			1,339
Furniture and fixtures			583
Statutory deposit			35,000
TOTAL ASSETS			<u><u>680,825</u></u>
LIABILITIES			
Reinsurance balances payable	473	16,932	17,405
Unearned contributions	-	6,670	6,670
Outstanding claims	294	27,976	28,270
Claims incurred but not reported	-	8,965	8,965
Unit reserve	167,580	-	167,580
Mathematical reserve	506	-	506
	<u>168,853</u>	<u>60,543</u>	<u>229,396</u>
Unallocated liabilities and surplus:			
Accrued expenses and other liabilities			19,019
Employee benefits			2,507
Zakat and income tax			834
Surplus from Insurance Operations			5,180
TOTAL LIABILITIES			<u><u>256,936</u></u>
EQUITY			
Share capital			350,000
Statutory reserve			23,253
Retained earnings			50,554
TOTAL SHAREHOLDERS' EQUITY			<u>423,807</u>
Remeasurement reserve of defined benefit obligation - related to insurance operations			82
TOTAL EQUITY			<u><u>423,889</u></u>
TOTAL LIABILITIES AND EQUITY			<u><u>680,825</u></u>

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2019

16. OPERATING SEGMENT INFORMATION (continued)

	<i>As at 31 December 2018 (Audited)</i>		
	<i>Individual</i>	<i>Group</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
ASSETS			
Contributions receivable, net	-	1,633	1,633
Reinsurers' share of unearned contributions	-	9,006	9,006
Reinsurers' share of outstanding claims	42	7,876	7,918
Reinsurers' share of claims incurred but not reported	-	8,089	8,089
Available-for-sale investments held to cover unit link liabilities	128,230	-	128,230
	<u>128,272</u>	<u>26,604</u>	<u>154,876</u>
Unallocated assets:			
Cash and cash equivalents			17,062
Investments			395,829
Due from a related party			7,444
Prepayments and other assets			720
Furniture and fixtures			260
Statutory deposit			35,000
TOTAL ASSETS			<u><u>611,191</u></u>
LIABILITIES			
Reinsurance balances payable	449	15,676	16,125
Unearned contributions	-	22,774	22,774
Outstanding claims	141	9,874	10,015
Claims incurred but not reported	-	10,997	10,997
Unit reserve	130,290	-	130,290
Mathematical reserve	557	-	557
	<u>131,437</u>	<u>59,321</u>	<u>190,758</u>
Unallocated liabilities and surplus:			
Accrued expenses and other liabilities			16,547
Employee benefits			2,050
Zakat and income tax			1,039
Surplus from Insurance Operations			2,827
TOTAL LIABILITIES			<u><u>213,221</u></u>
EQUITY			
Share capital			350,000
Statutory reserve			23,253
Retained earnings			24,635
TOTAL SHAREHOLDERS' EQUITY			<u>397,888</u>
Remeasurement reserve of defined benefit obligation - related to insurance operations			82
TOTAL EQUITY			<u><u>397,970</u></u>
TOTAL LIABILITIES AND EQUITY			<u><u>611,191</u></u>

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2019

16. OPERATING SEGMENT INFORMATION (continued)

	<i>For the three month period ended 30 September 2019 (Unaudited)</i>		
	<i>Individual SR'000</i>	<i>Group SR'000</i>	<i>Total SR'000</i>
REVENUE			
Gross written contributions:			
Individual	19,643	-	19,643
Small Enterprises	-	136	136
Medium Enterprises	-	154	154
Corporate	-	10,490	10,490
Total gross written contributions	19,643	10,780	30,423
Contributions ceded:			
Local	-	-	-
Foreign	(238)	(3,583)	(3,821)
Net written contributions	19,405	7,197	26,602
Change in unearned contributions, net	-	225	225
Net contribution earned	19,405	7,422	26,827
Other underwriting income	166	-	166
TOTAL REVENUES	19,571	7,422	26,993
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	-	(1,548)	(1,548)
Reinsurers' share of claims paid	-	1,312	1,312
Net claims paid	-	(236)	(236)
Changes in outstanding claims, net	(18)	(230)	(248)
Changes in claims incurred but not reported, net	-	(13)	(13)
Net claims incurred	(18)	(479)	(497)
Investible contributions, net	(15,418)	-	(15,418)
Change in mathematical reserve	13	-	13
Policy acquisition costs	(975)	(6)	(981)
Supervision and inspection fees	(98)	(54)	(152)
TOTAL UNDERWRITING COSTS AND EXPENSES	(16,496)	(539)	(17,035)
NET UNDERWRITING INCOME	3,075	6,883	9,958
OTHER OPERATING INCOME/(EXPENSES)			
Allowance for doubtful receivables			(373)
General and administrative expenses			(2,573)
Commission from held-to-maturity Investments			2,498
Commission income on deposits			13
Unrealized gain on FVIS investments			416
Other income			57
TOTAL OTHER OPERATING INCOME, NET			38
NET INCOME FOR THE PERIOD			9,996
Net income attributed to the insurance operations			(839)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS BEFORE ZAKAT AND INCOME TAX			9,157
Zakat and income tax			(257)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS			8,900

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2019

16. OPERATING SEGMENT INFORMATION (continued)

	<i>For the three-month period ended 30 September 2018 (Unaudited)</i>		
	<i>Individual SR'000</i>	<i>Group SR'000</i>	<i>Total SR'000 (Restated)</i>
REVENUE			
Gross written contributions:			
Individual	13,828	-	13,828
Small Enterprises	-	12	12
Medium Enterprises	-	422	422
Corporate	-	35,789	35,789
Total gross written contributions	13,828	36,223	50,051
Contributions ceded:			
Local			-
Foreign	(201)	(13,617)	(13,818)
Net written contributions	13,627	22,606	36,233
Change in unearned contributions, net	-	(16,015)	(16,015)
Net contribution earned	13,627	6,591	20,218
Other underwriting income	225	-	225
TOTAL REVENUES	13,852	6,591	20,443
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(250)	(1,518)	(1,768)
Reinsurers' share of claims paid	150	1,349	1,499
Net claims paid	(100)	(169)	(269)
Changes in outstanding claims, net	(21)	57	36
Changes in claims incurred but not reported, net	-	(437)	(437)
Net claims incurred	(121)	(549)	(670)
Investible contributions, net	(11,404)	-	(11,404)
Change in mathematical reserve	27	-	27
Policy acquisition costs	(349)	-	(349)
Supervision and inspection fees	(69)	(181)	(250)
TOTAL UNDERWRITING COSTS AND EXPENSES	(11,916)	(730)	(12,646)
NET UNDERWRITING INCOME	1,936	5,861	7,797
OTHER OPERATING (EXPENSES)/ INCOME			
Reversal of doubtful receivables allowance			17
General and administrative expenses			(1,921)
Commission from held-to-maturity Investments			2,470
Commission income on deposits			175
Unrealized gain on FVIS investments			(12)
Other income			7
TOTAL OTHER OPERATING INCOME, NET			736
Net income for the period			8,533
Net income attributed to the insurance operations			(677)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS BEFORE ZAKAT AND INCOME TAX			7,856
Zakat and income tax			(410)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS			7,446

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2019

16. OPERATING SEGMENT INFORMATION (continued)

	<i>For the nine month period ended 30 September 2019 (Unaudited)</i>		
	<i>Individual SR'000</i>	<i>Group SR'000</i>	<i>Total SR'000</i>
REVENUE			
Gross written contributions:			
Individual	52,810	-	52,810
Small Enterprises	-	200	200
Medium Enterprises	-	381	381
Corporate	-	16,019	16,019
Total gross written contributions	52,810	16,600	69,410
Contributions ceded:			
Local	-	-	-
Foreign	(695)	(4,580)	(5,275)
Net written contributions	52,115	12,020	64,135
Change in unearned contributions, net	-	9,823	9,823
Net contribution earned	52,115	21,843	73,958
Other underwriting income	470	-	470
TOTAL REVENUES	52,585	21,843	74,428
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(30)	(4,820)	(4,850)
Reinsurers' share of claims paid	9	3,690	3,699
Net claims paid	(21)	(1,130)	(1,151)
Changes in outstanding claims, net	(107)	(1,570)	(1,677)
Changes in claims incurred but not reported, net	-	1,026	1,026
Net claims incurred	(128)	(1,674)	(1,802)
Investible contributions, net	(41,418)	-	(41,418)
Change in mathematical reserve	51	-	51
Policy acquisition costs	(2,653)	(255)	(2,908)
Supervision and inspection fees	(264)	(83)	(347)
TOTAL UNDERWRITING COSTS AND EXPENSES	(44,412)	(2,012)	(46,424)
NET UNDERWRITING INCOME	8,173	19,831	28,004
OTHER OPERATING INCOME/(EXPENSES)			
Allowance for doubtful receivables			(622)
General and administrative expenses			(7,321)
Commission from held-to-maturity Investments			7,359
Commission income on deposits			30
Unrealized gain on FVIS investments			1,388
Realized gain on FVIS investments			20
Other income			184
TOTAL OTHER OPERATING INCOME, NET			1,038
NET INCOME FOR THE PERIOD			29,042
Net income attributed to the insurance operations			(2,353)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS BEFORE ZAKAT AND INCOME TAX			26,689
Zakat and income tax			(770)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS			25,919

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2019

16. OPERATING SEGMENT INFORMATION (continued)

	<i>For the nine month period ended 30 September 2018 (Unaudited)</i>		
	<i>Individual SR'000</i>	<i>Group SR'000</i>	<i>Total SR'000 (Restated)</i>
REVENUE			
Gross written contributions			
Individual	40,652	-	40,652
Small Enterprises		22	22
Medium Enterprises	-	558	558
Corporate	-	39,427	39,427
Total gross written contributions	40,652	40,007	80,659
Contributions ceded:			
Local	-	-	-
Foreign	(594)	(15,320)	(15,914)
Net written contributions	40,058	24,687	64,745
Change in unearned contributions, net	-	(7,603)	(7,603)
Net contribution earned	40,058	17,084	57,142
Other underwriting income	879	-	879
TOTAL REVENUES	40,937	17,084	58,021
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(250)	(7,218)	(7,468)
Reinsurance share of claims paid	150	5,869	6,019
Net claims paid	(100)	(1,349)	(1,449)
Changes in outstanding claims, net	(78)	80	2
Changes in claims incurred but not reported, net	-	308	308
Net claims incurred	(178)	(961)	(1,139)
Investible contributions, net	(33,957)	-	(33,957)
Change in mathematical reserve	85	-	85
Policy acquisition costs	(984)	-	(984)
Supervision and inspection fees	(203)	(200)	(403)
TOTAL UNDERWRITING COSTS AND EXPENSES	(35,237)	(1,161)	(36,398)
NET UNDERWRITING INCOME	5,700	15,923	21,623
OTHER OPERATING INCOME/(EXPENSES)			
Allowance for doubtful receivables			(18)
General and administrative expenses			(6,211)
Commission from held-to-maturity Investments			7,327
Commission income on deposits			585
Unrealized gain on FVIS investments			109
Realized gain on FVIS investments			28
Dividend			8
Other income			106
TOTAL OTHER OPERATING INCOME, NET			1,934
NET INCOME FOR THE PERIOD			23,557
Net income attributed to the insurance operations			(1,849)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS BEFORE ZAKAT AND INCOME TAX			21,708
Zakat and income tax			(839)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS			20,869

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2019

17. SUPPLEMENTARY INFORMATION

a) INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	<i>Insurance operations SR'000</i>	<i>Shareholders' operations SR'000</i>	<i>30 September 2019 (Unaudited) SR'000</i>	<i>Insurance operations SR'000</i>	<i>Shareholders' operations SR'000</i>	<i>31 December 2018 (Audited) SR'000</i>
ASSETS						
Cash and cash equivalents	17,258	2,599	19,857	13,208	3,854	17,062
Contributions receivable, net	6,304	-	6,304	1,633	-	1,633
Reinsurers' share of unearned Contributions	2,725	-	2,725	9,006	-	9,006
Reinsurers' share of outstanding claims	24,496	-	24,496	7,918	-	7,918
Reinsurers' share of claims incurred but not reported	7,083	-	7,083	8,089	-	8,089
Available-for-sale investments held to cover unit-linked liabilities	165,124	-	165,124	128,230	-	128,230
Investments	49,626	343,053	392,679	58,530	337,299	395,829
Due from a related party	25,635	-	25,635	7,444	-	7,444
Prepayments and other assets	1,215	124	1,339	679	41	720
Due from Insurance Operations	-	46,067	46,067	-	25,522	25,522
Furniture and fixtures	583	-	583	260	-	260
Statutory deposit	-	35,000	35,000	-	35,000	35,000
	<u>300,049</u>	<u>426,843</u>	<u>726,892</u>	<u>234,997</u>	<u>401,716</u>	<u>636,713</u>
Less: Inter-operations eliminations	-	(46,067)	(46,067)	-	(25,522)	(25,522)
TOTAL ASSETS	<u><u>300,049</u></u>	<u><u>380,776</u></u>	<u><u>680,825</u></u>	<u><u>234,997</u></u>	<u><u>376,194</u></u>	<u><u>611,191</u></u>
LIABILITIES						
Accrued expenses and other liabilities	16,817	2,202	19,019	13,758	2,789	16,547
Reinsurance balances payable	17,405	-	17,405	16,125	-	16,125
Unearned contributions	6,670	-	6,670	22,774	-	22,774
Outstanding claims	28,270	-	28,270	10,015	-	10,015
Claims incurred but not reported	8,965	-	8,965	10,997	-	10,997
Unit reserve	167,580	-	167,580	130,290	-	130,290
Mathematical reserve	506	-	506	557	-	557
Employee benefits	2,507	-	2,507	2,050	-	2,050
Zakat and income tax	-	834	834	-	1,039	1,039
Due to Shareholders' Operations	46,067	-	46,067	25,522	-	25,522
Surplus from Insurance Operations	5,180	-	5,180	2,827	-	2,827
	<u>299,967</u>	<u>3,036</u>	<u>303,003</u>	<u>234,915</u>	<u>3,828</u>	<u>238,743</u>
Less: Inter-operations eliminations	(46,067)	-	(46,067)	(25,522)	-	(25,522)
TOTAL LIABILITIES	<u><u>253,900</u></u>	<u><u>3,036</u></u>	<u><u>256,936</u></u>	<u><u>209,393</u></u>	<u><u>3,828</u></u>	<u><u>213,221</u></u>
EQUITY						
Share capital	-	350,000	350,000	-	350,000	350,000
Statutory reserve	-	23,253	23,253	-	23,253	23,253
Retained earnings	-	50,554	50,554	-	24,635	24,635
Re-measurement reserve of defined benefit obligation – related to insurance operations	82	-	82	82	-	82
TOTAL EQUITY	<u><u>82</u></u>	<u><u>423,807</u></u>	<u><u>423,889</u></u>	<u><u>82</u></u>	<u><u>397,888</u></u>	<u><u>397,970</u></u>
TOTAL LIABILITIES AND EQUITY	<u><u>253,982</u></u>	<u><u>426,843</u></u>	<u><u>680,825</u></u>	<u><u>209,475</u></u>	<u><u>401,716</u></u>	<u><u>611,191</u></u>

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2019

17. SUPPLEMENTARY INFORMATION (continued)

b) INTERIM CONDENSED STATEMENT OF INCOME

	<i>Three month period ended 30 September (Unaudited)</i>					
	<i>Insurance operations</i> <i>SR'000</i>	<i>Shareholders' operations</i> <i>SR'000</i>	<i>2019</i> <i>SR'000</i>	<i>Insurance operations</i> <i>SR'000</i>	<i>Shareholders' operations</i> <i>SR'000</i>	<i>2018</i> <i>SR'000</i> <i>(Restated)</i>
REVENUE						
Gross written contributions	30,423	-	30,423	50,051	-	50,051
Contributions ceded:						
Local	-	-	-	-	-	-
Foreign	(3,821)	-	(3,821)	(13,818)	-	(13,818)
Net written contributions	26,602	-	26,602	36,233	-	36,233
Change in unearned contributions, net	225	-	225	(16,015)	-	(16,015)
Net contribution earned	26,827	-	26,827	20,218	-	20,218
Other underwriting income	166	-	166	225	-	225
TOTAL REVENUES	26,993	-	26,993	20,443	-	20,443
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(1,548)	-	(1,548)	(1,768)	-	(1,768)
Reinsurers' share of claims paid	1,312	-	1,312	1,499	-	1,499
Net claims paid	(236)	-	(236)	(269)	-	(269)
Changes in outstanding claims, net	(248)	-	(248)	36	-	36
Changes in IBNR, net	(13)	-	(13)	(437)	-	(437)
Net claims incurred	(497)	-	(497)	(670)	-	(670)
Investible contributions, net	(15,418)	-	(15,418)	(11,404)	-	(11,404)
Change in mathematical reserve	13	-	13	27	-	27
Policy acquisition costs	(981)	-	(981)	(349)	-	(349)
Supervision and inspection fees	(152)	-	(152)	(250)	-	(250)
TOTAL UNDERWRITING COSTS AND EXPENSES	(17,035)	-	(17,035)	(12,646)	-	(12,646)
NET UNDERWRITING INCOME	9,958	-	9,958	7,797	-	7,797
OTHER OPERATING (EXPENSES)/ INCOME						
Allowance for doubtful receivables	(373)	-	(373)	17	-	17
General and administrative expenses	(1,568)	(1,005)	(2,573)	(1,326)	(595)	(1,921)
Commission from held-to-maturity investments	115	2,383	2,498	117	2,353	2,470
Commission income on deposits	12	1	13	167	8	175
Unrealised gain on FVIS investments	220	196	416	-	(12)	(12)
Other income	35	22	57	-	7	7
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(1,559)	1,597	38	(1,025)	1,761	736

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2019

17. SUPPLEMENTARY INFORMATION (continued)

b) INTERIM CONDENSED STATEMENT OF INCOME (continued)

	<i>Three month period ended 30 September (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2019</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2018</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
						<i>(Restated)</i>
NET SURPLUS FROM OPERATIONS	8,399	1,597	9,996	6,772	1,761	8,533
Surplus transferred to Shareholders	<u>(7,560)</u>	<u>7,560</u>	<u>-</u>	<u>(6,095)</u>	<u>6,095</u>	<u>-</u>
NET INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX	839	9,157	9,996	677	7,856	8,533
Zakat and income tax	<u>-</u>	<u>(257)</u>	<u>(257)</u>	<u>-</u>	<u>(410)</u>	<u>(410)</u>
NET INCOME FOR THE PERIOD	839	8,900	9,739	677	7,446	8,123
Weighted average number of ordinary shares outstanding (in thousands)	<u>-</u>	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>35,000</u>	<u>-</u>
Basic and diluted earnings per share for the period (SR)	<u>-</u>	<u>0.254</u>	<u>-</u>	<u>-</u>	<u>0.213</u>	<u>-</u>

c) INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	<i>Three month period ended 30 September (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2019</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2018</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
						<i>(Restated)</i>
NET INCOME FOR THE PERIOD	839	8,900	9,739	677	7,446	8,123
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	839	8,900	9,739	677	7,446	8,123

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2019

17. SUPPLEMENTARY INFORMATION (continued)

d) INTERIM CONDENSED STATEMENT OF INCOME

	<i>Nine month period ended 30 September (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2019</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2018</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
						<i>(Restated)</i>
REVENUE						
Gross written contributions	69,410	-	69,410	80,659	-	80,659
Contributions ceded:						
Local	-	-	-	-	-	-
Foreign	(5,275)	-	(5,275)	(15,914)	-	(15,914)
Net written contributions	64,135	-	64,135	64,745	-	64,745
Change in unearned contributions, net	9,823	-	9,823	(7,603)	-	(7,603)
Net contribution earned	73,958	-	73,958	57,142	-	57,142
Other underwriting income	470	-	470	879	-	879
TOTAL REVENUES	74,428	-	74,428	58,021	-	58,021
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(4,850)	-	(4,850)	(7,468)	-	(7,468)
Reinsurers' share of claims paid	3,699	-	3,699	6,019	-	6,019
Net claims paid	(1,151)	-	(1,151)	(1,449)	-	(1,449)
Changes in outstanding claims, net	(1,677)	-	(1,677)	2	-	2
Changes in IBNR, net	1,026	-	1,026	308	-	308
Net claims incurred	(1,802)	-	(1,802)	(1,139)	-	(1,139)
Investible contributions, net	(41,418)	-	(41,418)	(33,957)	-	(33,957)
Change in mathematical reserve	51	-	51	85	-	85
Policy acquisition costs	(2,908)	-	(2,908)	(984)	-	(984)
Supervision and inspection fees	(347)	-	(347)	(403)	-	(403)
TOTAL UNDERWRITING COSTS AND EXPENSES	(46,424)	-	(46,424)	(36,398)	-	(36,398)
NET UNDERWRITING INCOME	28,004	-	28,004	21,623	-	21,623
OTHER OPERATING (EXPENSES)/ INCOME						
Allowance for doubtful receivables	(622)	-	(622)	(18)	-	(18)
General and administrative expenses	(5,098)	(2,223)	(7,321)	(4,090)	(2,121)	(6,211)
Commission from held-to-maturity investments	341	7,018	7,359	342	6,985	7,327
Commission income on deposits	27	3	30	553	32	585
Unrealised gain on FVIS investments	734	654	1,388	-	109	109
Realised gain on FVIS investments	20	-	20	-	28	28
Dividend	-	-	-	-	8	8
Other income	133	51	184	78	28	106
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(4,465)	5,503	1,038	(3,135)	5,069	1,934

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2019

17. SUPPLEMENTARY INFORMATION (continued)

d) INTERIM CONDENSED STATEMENT OF INCOME (continued)

	<i>Nine month period ended 30 September (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2019</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2018</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
NET SURPLUS FROM OPERATIONS	23,539	5,503	29,042	18,488	5,069	23,557
Surplus transferred to Shareholders	<u>(21,186)</u>	<u>21,186</u>	<u>-</u>	<u>(16,639)</u>	<u>16,639</u>	<u>-</u>
NET INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX	2,353	26,689	29,042	1,849	21,708	23,557
Zakat and income tax	<u>-</u>	<u>(770)</u>	<u>(770)</u>	<u>-</u>	<u>(839)</u>	<u>(839)</u>
NET INCOME FOR THE PERIOD	<u>2,353</u>	<u>25,919</u>	<u>28,272</u>	<u>1,849</u>	<u>20,869</u>	<u>22,718</u>
Weighted average number of ordinary shares outstanding (in thousands)	<u>-</u>	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>35,000</u>	<u>-</u>
Basic and diluted earnings per share for the period (SR)	<u>-</u>	<u>0.741</u>	<u>-</u>	<u>-</u>	<u>0.596</u>	<u>-</u>

e) INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	<i>Nine month period ended 30 September (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2019</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2018</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
NET INCOME FOR THE PERIOD	2,353	25,919	28,272	1,849	20,869	22,718
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>2,353</u>	<u>25,919</u>	<u>28,272</u>	<u>1,849</u>	<u>20,869</u>	<u>22,718</u>

- Share of insurance operations surplus split in the ratio of 90/10 between shareholders and insurance operations and presented separately is now presented as an expense in interim statement of income (refer note 17 (b) and (d)).

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2019

17. SUPPLEMENTARY INFORMATION (continued)

f) INTERIM CONDENSED STATEMENT OF CASH FLOWS

	<i>Nine month period ended 30 September (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2019</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2018</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
OPERATING ACTIVITIES						
Net income for the period before Zakat and income tax	2,353	26,689	29,042	1,849	21,708	23,557
Adjustments for the period:						
Reinsurers' share of unearned contributions	6,281	-	6,281	(3,961)	-	(3,961)
Unearned contributions	(16,104)	-	(16,104)	11,564	-	11,564
Allowance for doubtful receivables	622	-	622	18	-	18
Commission from held-to-maturity investments	(342)	(7,017)	(7,359)	(342)	(6,985)	(7,327)
Unrealised gain on FVIS investments	(735)	(653)	(1,388)	-	(109)	(109)
Realised gain on FVIS investments	(20)	-	(20)	-	(28)	(28)
Depreciation	93	-	93	30	-	30
Employee benefits	496	-	496	765	-	765
	<u>(7,356)</u>	<u>19,019</u>	<u>11,663</u>	<u>9,923</u>	<u>14,586</u>	<u>24,509</u>
Changes in operating assets and liabilities:						
Contributions receivable, net	(5,293)	-	(5,293)	(35,710)	-	(35,710)
Reinsurers' share of outstanding claims	(16,578)	-	(16,578)	1,312	-	1,312
Reinsurers' share of claims incurred but not reported	1,006	-	1,006	(755)	-	(755)
Available-for-sale investments held to cover unit-linked liabilities, net	(36,894)	-	(36,894)	(23,805)	-	(23,805)
Due from a related party	(18,191)	-	(18,191)	(8,547)	-	(8,547)
Prepayments and other receivables	(535)	(84)	(619)	(95)	(13)	(108)
Accrued expenses and other liabilities	3,059	(587)	2,472	2,242	619	2,861
Reinsurers' balances payable	1,280	-	1,280	8,739	-	8,739
Outstanding claims	18,255	-	18,255	(1,314)	-	(1,314)
Claims incurred but not reported	(2,032)	-	(2,032)	447	-	447
Unit reserve	37,290	-	37,290	24,671	-	24,671
Mathematical reserve	(51)	-	(51)	(85)	-	(85)
Due to Shareholders' Operations	20,545	-	20,545	16,525	-	16,525
Due from Insurance Operations	-	(20,545)	(20,545)	-	(16,525)	(16,525)
	<u>(5,495)</u>	<u>(2,197)</u>	<u>(7,692)</u>	<u>(6,452)</u>	<u>(1,333)</u>	<u>(7,785)</u>
Cash used in operations	(5,495)	(2,197)	(7,692)	(6,452)	(1,333)	(7,785)
Zakat and income tax paid	-	(975)	(975)	-	(980)	(980)
Employee benefits paid	(39)	-	(39)	(767)	-	(767)
Net cash used in operating activities	<u>(5,534)</u>	<u>(3,172)</u>	<u>(8,706)</u>	<u>(7,219)</u>	<u>(2,313)</u>	<u>(9,532)</u>
INVESTING ACTIVITIES						
Proceeds from disposal of FVIS investment	10,000	4,000	14,000	-	24,500	24,500
Purchase of FVIS investments	-	(3,500)	(3,500)	-	-	-
Commission received from held-to-maturity investments	-	1,417	1,417	-	-	-
Purchase of furniture and fixtures	(416)	-	(416)	(302)	-	(302)
Net cash from/(used in) investing activities	<u>9,584</u>	<u>1,917</u>	<u>11,501</u>	<u>(302)</u>	<u>24,500</u>	<u>24,198</u>
FINANCING ACTIVITY						
Dividend paid	-	-	-	-	(24,500)	(24,500)
Net increase/(decrease) in cash and cash equivalents	<u>4,050</u>	<u>(1,255)</u>	<u>2,795</u>	<u>(7,521)</u>	<u>(2,313)</u>	<u>(9,834)</u>
Cash and cash equivalents at the beginning of the period	13,208	3,854	17,062	46,814	6,448	53,262
Cash and cash equivalents at the end of the period	<u>17,258</u>	<u>2,599</u>	<u>19,857</u>	<u>39,293</u>	<u>4,135</u>	<u>43,428</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2019

18. DIVIDENDS

On 25 Rajab 1439H (corresponding to 11 April 2018), the Company's Board of Directors proposed to pay a dividend of SR 0.7 per share totaling SR 24.5 million to its shareholders. This dividend proposal was approved by the shareholders in the Ordinary General Assembly Meeting held on 5 Ramadan 1439H (corresponding to 20 May 2018). Accordingly, the dividend payment was made on 23 Ramadan 1439H (corresponding to 7 June 2018).

19. SUBSEQUENT EVENTS

The Company has announced the signing of a non-binding Memorandum of Understanding (the "MOU") with Solidarity Saudi Takaful Company on 23 Shawwal 1440H (corresponding to 26 June 2019) to evaluate a potential merger between the two Companies. Both companies will conduct technical, financial, legal and actuarial due diligence and engage in non-binding discussions on the terms and conditions of the potential merger. The MOU would expire on the earlier of the signing of the merger agreement or at the end of the first quarter of 2020. The merger in consideration, will remain conditional upon shareholders' and regulatory approvals.

The Company and Solidarity Saudi Takaful Company have agreed that, in the event the proposed merger occurs, it will be implemented by way of share swap where, after the proposed merger is completed, the Company will issue new shares to Solidarity Saudi Takaful Company shareholders in exchange for all issued shares of Solidarity Saudi Takaful Company.

The two companies have initially agreed that the methodology used for valuation will be based on equity book value (after any mutually agreed due diligence adjustments) and that the swap ratio between the Company and the shareholders of Solidarity Saudi Takaful Company shall be calculated using the respective adjusted equity book value per share as at a mutually agreed cut-off date.

The Company has appointed FALCOM Financial Services Company ("FALCOM") as its financial advisor for the proposed merger instead of AlJazira Capital, a founding shareholder.

20. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors on 7 Rabi Al Awal 1441H, corresponding to 4 November 2019.