

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

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2019

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Al-Bassam & Co.
Allied Accountants

P. O. Box 15651
Jeddah 21454
Kingdom of Saudi Arabia



Ernst & Young & Co. (Certified Public Accountants)
King's Road Tower - 13th Floor
King Abdulaziz Road (Malek Road)
P. O. Box 1994
Jeddah 21441
Kingdom of Saudi Arabia
Head Office - Riyadh
Registration NO. 45/11/323
C.R. No. 4030276644

INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

The Shareholders
Aljazira Takaful Taawuni Company
(A Saudi Joint Stock Company)
Kingdom of Saudi Arabia

Introduction:

We have reviewed the accompanying interim statement of financial position of Aljazira Takaful Taawuni Company – a Saudi Joint Stock Company ("the Company") as at 31 March 2019, and the related interim statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) as modified by Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 as modified by SAMA for the accounting of zakat and income tax.

Al-Bassam & Co.
Allied Accountants

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



for Ernst & Young & Co.

Ahmed I. Reda
Certified Public Accountant
Licence No. 356



6 Ramadhan 1440H
Corresponding to 11 May 2019
Jeddah, Kingdom of Saudi Arabia

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF FINANCIAL POSITION
As at 31 March 2019

| | | 31 March 2019 (Unaudited) SR'000 | 31 December 2018 (Audited) SR'000 |
|--|--------|---|--|
| | Notes | | |
| ASSETS | | | |
| Cash and cash equivalents | 4 | 12,053 | 17,062 |
| Contributions receivable, net | 5 | 1,685 | 1,633 |
| Reinsurers' share of unearned contributions | 10 | 5,672 | 9,006 |
| Reinsurers' share of outstanding claims | 11 | 15,556 | 7,918 |
| Reinsurers' share of claims incurred but not reported | 11 | 7,749 | 8,089 |
| Available-for-sale investments held to cover unit-linked liabilities | 6 | 149,341 | 128,230 |
| Investments | 7 | 393,805 | 395,829 |
| Due from a related party | 12 (b) | 12,620 | 7,444 |
| Prepayments and other assets | | 843 | 720 |
| Furniture and fixtures | | 469 | 260 |
| Statutory deposit | | 35,000 | 35,000 |
| TOTAL ASSETS | | 634,793 | 611,191 |
| LIABILITIES | | | |
| Accrued expenses and other liabilities | | 14,296 | 16,547 |
| Reinsurance balances payable | | 15,247 | 16,125 |
| Unearned contributions | 10 | 13,551 | 22,774 |
| Outstanding claims | 11 | 18,589 | 10,015 |
| Claims incurred but not reported | 11 | 9,881 | 10,997 |
| Unit reserve | 8 | 150,609 | 130,290 |
| Mathematical reserve | 9 | 522 | 557 |
| End-of-service indemnities | | 2,210 | 2,050 |
| Zakat and income tax | 13 | 1,289 | 1,039 |
| Surplus from Insurance Operations | | 3,429 | 2,827 |
| TOTAL LIABILITIES | | 229,623 | 213,221 |
| EQUITY | | | |
| Share capital | | 350,000 | 350,000 |
| Statutory reserve | | 23,253 | 23,253 |
| Retained earnings | | 31,835 | 24,635 |
| TOTAL SHAREHOLDERS' EQUITY | | 405,088 | 397,888 |
| Re-measurement reserve of defined benefit obligation - related to Insurance operations | | 82 | 82 |
| TOTAL EQUITY | | 405,170 | 397,970 |
| TOTAL LIABILITIES AND EQUITY | | 634,793 | 611,191 |

Chairman

Chief Financial Officer

Managing Director

The accompanying notes 1 to 18 form an integral part of these interim condensed financial statements.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INCOME (UNAUDITED)

For the three-month period ended 31 March 2019

| | 31 March 2019 SR'000 | 31 March 2018 SR'000 |
|--|----------------------------|----------------------------|
| REVENUE | | |
| Gross written contributions | 17,377 | 14,442 |
| Contributions ceded: | | |
| Local | - | - |
| Foreign | (1,050) | (445) |
| Net written contributions | 16,327 | 13,997 |
| Change in unearned contributions, net | 5,889 | 5,155 |
| Net contribution earned | 22,216 | 19,152 |
| Other underwriting income | 172 | 461 |
| TOTAL REVENUES | 22,388 | 19,613 |
| UNDERWRITING COSTS AND EXPENSES | | |
| Gross claims paid | (2,158) | (3,523) |
| Reinsurers' share of claims paid | 1,686 | 2,829 |
| Net claims paid | (472) | (694) |
| Changes in outstanding claims, net | (936) | (78) |
| Changes in claims incurred but not reported, net | 776 | 531 |
| Net claims incurred | (632) | (241) |
| Investible contributions, net (note 8) | (13,091) | (11,686) |
| Change in mathematical reserve | 35 | 40 |
| Policy acquisition costs | (1,016) | (319) |
| Supervision and inspection fees | (87) | (72) |
| TOTAL UNDERWRITING COSTS AND EXPENSES | (14,791) | (12,278) |
| NET UNDERWRITING INCOME – C/F | 7,597 | 7,335 |

Chairman

Managing Director

Chief Financial Officer


The accompanying notes 1 to 18 form an integral part of these interim condensed financial statements.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INCOME (UNAUDITED) (continued)

For the three-month period ended 31 March 2019

| | Notes | 31 March 2019 SR'000 | 31 March 2018 SR'000 |
|---|-------|----------------------------|----------------------------|
| NET UNDERWRITING INCOME – B/F | | 7,597 | 7,335 |
| OTHER OPERATING (EXPENSES)/ INCOME | | | |
| Allowance for doubtful debts | | (117) | (27) |
| General and administrative expenses | | (2,513) | (2,124) |
| Commission from held-to-maturity investments | 12(a) | 2,415 | 2,416 |
| Commission income on deposits | | 12 | 204 |
| Unrealized gain on FVIS investments | | 541 | 90 |
| Realized gain on FVIS investments | | 20 | - |
| Dividend | | - | 8 |
| Other income | | 97 | 72 |
| TOTAL OTHER OPERATING INCOME, NET | | 455 | 639 |
| Net income for the period | | 8,052 | 7,974 |
| Net income attributed to the insurance operations | | (602) | (632) |
| Net income for the period attributable to the shareholders | | 7,450 | 7,342 |
| Weighted average number of ordinary shares outstanding (in thousands) | | 35,000 | 35,000 |
| Basic and diluted earnings per share for the period (SR) | | 0.213 | 0.210 |


Chairman


Chief Financial Officer


Managing Director

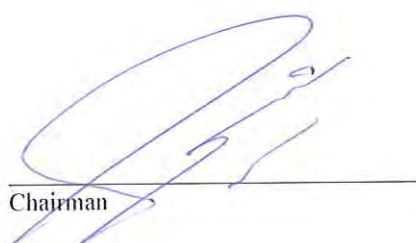
The accompanying notes 1 to 18 form an integral part of these interim condensed financial statements.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three-month period ended 31 March 2019

| | <i>31 March 2019 SR'000</i> | <i>31 March 2018 SR'000</i> |
|--|-------------------------------------|-------------------------------------|
| NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS | 7,450 | 7,342 |
| Other comprehensive income | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | <u>7,450</u> | <u>7,342</u> |



Chairman



Managing Director



Chief Financial Officer

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF CHANGES IN EQUITY
For the three-month period ended 31 March 2019

| | <i>Related to shareholders</i> | | | | <i>Re-measurement reserve of defined benefit obligation – related to insurance operations</i> | <i>Total equity</i> |
|-------------------------------------|-------------------------------------|---|---|--|---|-------------------------|
| | <i>Share capital SR'000</i> | <i>Statutory reserve SR'000</i> | <i>Retained earnings SR'000</i> | <i>Total shareholders' equity SR'000</i> | <i>SR'000</i> | <i>SR'000</i> |
| Balance at 1 January 2019 | 350,000 | 23,253 | 24,635 | 397,888 | 82 | 397,970 |
| Net income for the period | - | - | 7,450 | 7,450 | - | 7,450 |
| Other comprehensive income | - | - | - | - | - | - |
| Total comprehensive income | - | - | 7,450 | 7,450 | - | 7,450 |
| Zakat for the period (note 13) | - | - | (214) | (214) | - | (214) |
| Income tax for the period (note 13) | - | - | (36) | (36) | - | (36) |
| Balance as at 31 March 2019 | 350,000 | 23,253 | 31,835 | 405,088 | 82 | 405,170 |



Chairman



Managing Director



Chief Financial Officer

The accompanying notes 1 to 18 form an integral part of these interim condensed financial statements.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CHANGES IN EQUITY (continued)

For the three-month period ended 31 March 2019

| | <i>Related to shareholders</i> | | | | <i>Re-measurement reserve of defined benefit obligation – related to insurance operations</i> | |
|-------------------------------------|-------------------------------------|---|---|--|---|------------------------------------|
| | <i>Share capital SR'000</i> | <i>Statutory reserve SR'000</i> | <i>Retained earnings SR'000</i> | <i>Total shareholders' equity SR'000</i> | <i>SR'000</i> | <i>Total equity SR'000</i> |
| Balance at 1 January 2018 | 350,000 | 16,885 | 24,659 | 391,544 | - | 391,544 |
| Net income for the period | - | - | 7,342 | 7,342 | - | 7,342 |
| Other comprehensive income | - | - | - | - | - | - |
| Total comprehensive income | - | - | 7,342 | 7,342 | - | 7,342 |
| Zakat for the period (note 13) | - | - | (195) | (195) | - | (195) |
| Income tax for the period (note 13) | - | - | (32) | (32) | - | (32) |
| Balance as at 31 March 2018 | 350,000 | 16,885 | 31,774 | 398,659 | - | 398,659 |


Chairman


Managing Director


Chief Financial Officer

The accompanying notes 1 to 18 form an integral part of these interim condensed financial statements.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the three-month period ended 31 March 2019

| | 31 March 2019 SR'000 | 31 March 2018 SR'000 |
|---|----------------------------|----------------------------|
| OPERATING ACTIVITIES | | |
| Net income attributable to the shareholders | 7,450 | 7,342 |
| Adjustments for the period: | | |
| Net income attributable to the insurance operations | 602 | 632 |
| Reinsurers' share of unearned contributions | 3,334 | 3,548 |
| Unearned contributions | (9,223) | (8,703) |
| Allowance for doubtful receivables | 117 | 27 |
| Commission from held-to-maturity investments | (2,415) | (2,416) |
| Unrealised gain on FVIS investments | (541) | (90) |
| Depreciation | 21 | 1 |
| Realized gain on FVIS investments | (20) | - |
| End-of-service indemnities | 166 | 440 |
| | (509) | 781 |
| Changes in operating assets and liabilities: | | |
| Contributions receivable, net | (169) | (504) |
| Reinsurers' share of outstanding claims | (7,638) | 223 |
| Reinsurers' share of claims incurred but not reported | 340 | (431) |
| Available-for-sale investments held to cover unit-linked liabilities, net | (21,111) | (10,961) |
| Due from a related party | (5,176) | (514) |
| Prepayments and other receivables | (123) | 122 |
| Accrued expenses and other liabilities | (2,251) | (169) |
| Reinsurers' balances payable | (878) | (2,952) |
| Outstanding claims | 8,574 | (145) |
| Claims incurred but not reported | (1,116) | (100) |
| Unit reserve | 20,319 | 10,945 |
| Mathematical reserve | (35) | (40) |
| Cash used in operations | (9,773) | (3,745) |
| End-of-service indemnities paid | (6) | (621) |
| Net cash used in operating activities | (9,779) | (4,366) |
| INVESTING ACTIVITIES | | |
| Purchase of furniture and fixtures | (230) | (262) |
| Proceeds from sale of FVIS investments | 5,000 | - |
| Net cash from/(used in) investing activities | 4,770 | (262) |
| Net decrease in cash and cash equivalents | (5,009) | (4,628) |
| Cash and cash equivalents at the beginning of the period | 17,062 | 53,262 |
| Cash and cash equivalents at the end of the period | 12,053 | 48,634 |

The accompanying notes 1 to 18 form an integral part of these interim condensed financial statements.

ALJAZIRA TAKAFUL TAAWUNI COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 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 99.43% by Saudi founding shareholders and general public subject to zakat and 0.57% 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 Al Jazira ("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 information of the Company has been prepared in accordance with 'International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as modified by SAMA for the accounting of zakat and income tax', which requires, adoption of all IFRSs as issued by the International Accounting Standards Board ("IASB") except for the application of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" so far as these relate to zakat and income tax. As per the SAMA Circular no. 381000074519 dated April 11, 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax ("SAMA Circular"), the zakat and income tax are to be accrued on a quarterly basis through shareholders equity under retained earnings.

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. The Company's interim statement of financial position is presented in order of liquidity. Except for furniture and fixtures, statutory deposit, End-of-service indemnities, 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.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2019

2. BASIS OF PREPARATION (continued)

a) Basis of presentation (continued)

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 (SAR) 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.

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 and new amended IFRS and International Financial Reporting Interpretations Committee Interpretations (IFRIC) as mentioned in note 3(a) which had no impact on the financial position or financial performance of the Company.

a) 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 |

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.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) 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 2021. 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.

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.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2019

4. CASH AND CASH EQUIVALENTS

| | <i>Insurance operations SR'000</i> | <i>Shareholders' operations SR'000</i> | <i>Total SR'000</i> |
|-------------------------|--|--|-------------------------|
| 31 March 2019 | | | |
| Cash at bank | 10,861 | 1,192 | 12,053 |
| Total | 10,861 | 1,192 | 12,053 |
| | | | |
| | <i>Insurance operations SR'000</i> | <i>Shareholders' operations SR'000</i> | <i>Total SR'000</i> |
| 31 December 2018 | | | |
| Cash at bank | 13,208 | 3,854 | 17,062 |
| Total | 13,208 | 3,854 | 17,062 |

Cash at bank and Murabaha deposits, except for an amount SR 0.5 million (31 December 2018: SR 0.5 million) are held with a founding shareholder.

5. CONTRIBUTIONS RECEIVABLE, NET

| | <i>31 March 2019 (Unaudited) SR'000</i> | <i>31 December 2018 (Audited) SR'000</i> |
|--------------------------------------|---|--|
| Insurance Operations | | |
| Gross contributions receivable | 1,857 | 1,688 |
| Allowance for doubtful receivables | (172) | (55) |
| Contributions receivable, net | 1,685 | 1,633 |

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 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>31 March 2019 (Unaudited) SR'000</i> |
|---|--|--|--|
| Insurance Operations | | | |
| Al – Qawafel Fund | 694 | 5 | 699 |
| Al Jazira Diversified Aggressive Fund | 104,901 | 10,562 | 115,463 |
| Al Jazira Diversified Balanced Fund | 27,331 | 1,675 | 29,006 |
| Al Jazira Diversified Conservative Fund | 4,072 | 101 | 4,173 |
| | <u>136,998</u> | <u>12,343</u> | <u>149,341</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> |

Investment of Insurance operations comprises of units of mutual funds dominated in Saudi Riyal managed by a founding shareholder (note 12).

7. INVESTMENTS

| | <i>31 March 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) | 15,570 | 309,226 | 324,796 | 15,458 | 306,923 | 322,381 |
| FVIS investments (7.2) | 38,354 | 30,655 | 69,009 | 43,072 | 30,376 | 73,448 |
| Total | <u>53,924</u> | <u>339,881</u> | <u>393,805</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 with a maturity of three years made with a founding shareholder (note 12). The average commission rate on these investments at 31 March 2019 is 3.00% to 3.20% per annum (31 December 2018: 3.00% to 3.20% per annum). The Insurance operations investment will mature in 2021 and the Shareholders' operation investments will mature in 2020 and 2021.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2019

7. INVESTMENTS (continued)

7.1 Held-to-maturity investments (continued)

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

| | <i>31 March 2019 (Unaudited)</i> | | |
|--|---|---|--------------------------|
| | <i>Insurance operations SAR'000</i> | <i>Shareholders' operations SAR'000</i> | <i>Total SAR'000</i> |
| Balance at the beginning of the year | 15,458 | 306,923 | 322,381 |
| Commission from held-to-maturity investments | 113 | 2,302 | 2,415 |
| Balance at the end of the year | 15,571 | 309,225 | 324,796 |

| | <i>31 December 2018 (Audited)</i> | | |
|--|---|---|--------------------------|
| | <i>Insurance operations SAR'000</i> | <i>Shareholders' operations SAR'000</i> | <i>Total SAR'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 the 'Al Jazira Capital' managed by a founding shareholder, amounting to SR 68,562 thousand (31 December 2018: SR 73,073 thousand), and investment in shares of companies listed on Tadawul, amounting to SR 447 thousand (31 December 2018: SR 375 thousand).

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

| | <i>31 March 2019 (Unaudited)</i> | | |
|---|---|---|--------------------------|
| | <i>Insurance operations SAR'000</i> | <i>Shareholders' operations SAR'000</i> | <i>Total SAR'000</i> |
| Balance at beginning of the period | 43,072 | 30,376 | 73,448 |
| Disposals during the period | (4,980) | - | (4,980) |
| Changes in fair value | 262 | 279 | 541 |
| Balance at the end of the period | 38,354 | 30,655 | 69,009 |

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2019

7. INVESTMENTS (continued)

7.2 FVIS investments (continued)

31 December 2018 (Audited)

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

8. UNIT RESERVE

| | <i>Three-month period ended 31 March 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 | 13,091 | 48,513 |
| Surrenders | (5,115) | (18,830) |
| Change in fair value of available-for-sale investments (note 6) | 12,343 | (6,570) |
| | <u>150,609</u> | <u>130,290</u> |
| Balance at the end of the period/year | <u>150,609</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>Three-month period ended 31 March 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 | (35) | (401) |
| | <u>522</u> | <u>557</u> |
| Balance at the end of the period/year | <u>522</u> | <u>557</u> |

ALJAZIRA TAKAFUL TAAWUNI COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2019

10. MOVEMENT IN UNEARNED CONTRIBUTION

| | <i>Three-month period ended 31 March 2019 (Unaudited)</i> | | | <i>Year ended 31 December 2018 (Audited)</i> | | |
|--|---|--------------------------|---------------|--|--------------------------|---------------|
| | <i>Gross</i> | <i>Reinsurers' share</i> | <i>Net</i> | <i>Gross</i> | <i>Reinsurers' share</i> | <i>Net</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 | 17,377 | (1,050) | 16,327 | 101,145 | (18,625) | 82,520 |
| | 40,151 | (10,056) | 30,095 | 119,487 | (25,886) | 93,601 |
| Investible contributions and contributions earned during the period/year | (26,600) | 4,384 | (22,216) | (96,713) | 16,880 | (79,833) |
| Balance at the end of the period/year | 13,551 | (5,672) | 7,879 | 22,774 | (9,006) | 13,768 |

11. OUTSTANDING CLAIMS

| | <i>31 March 2019 (Unaudited)</i> | | | <i>31 December 2018 (Audited)</i> | | |
|---|----------------------------------|--------------------------|---------------|-----------------------------------|--------------------------|---------------|
| | <i>Gross</i> | <i>Reinsurers' share</i> | <i>Net</i> | <i>Gross</i> | <i>Reinsurers' share</i> | <i>Net</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 |
| | 21,012 | (16,007) | 5,005 | 21,239 | (15,586) | 5,653 |
| Incurred during the period/year | 9,616 | (8,984) | 632 | 10,964 | (9,566) | 1,398 |
| (Paid)/recovered during the period/year | (2,158) | 1,686 | (472) | (11,191) | 9,145 | (2,046) |
| At end of the period/year | 28,470 | (23,305) | 5,165 | 21,012 | (16,007) | 5,005 |
| At end of the period/year | | | | | | |
| Reported claims | 18,589 | (15,556) | 3,033 | 10,015 | (7,918) | 2,097 |
| IBNR | 9,881 | (7,749) | 2,132 | 10,997 | (8,089) | 2,908 |
| | 28,470 | (23,305) | 5,165 | 21,012 | (16,007) | 5,005 |

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

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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 three-month period ended:

| <u>Related party</u> | <u>Nature of transaction</u> | <u>Amount of transaction</u> | |
|---|--|---|---|
| | | 31 March 2019 (Unaudited) SR'000 | 31 March 2018 (Unaudited) SR'000 |
| <i>Bank Al Jazira</i> | Commission earned from held-to-maturity investment | 2,415 | 2,416 |
| | Commission income on deposits | 12 | 204 |
| | Gross written contribution | 962 | 90 |
| | Claims paid | 1,575 | 3,410 |
| <i>AlJazira Capital</i> | Profit earned on mutual funds | 487 | 138 |
| <i>Board of directors & committee members</i> | Gross written contribution | 13 | 13 |
| <i>Key management personnel</i> | Salaries, benefits and allowances, net (note 1) | 442 | 391 |
| | Gross contribution written | 13 | 2 |

- b) Amount due from a related party represents receivable from Bank Al Jazira (founding shareholder) (see note 1).
- c) Contributions receivable shown in interim statement of financial position includes SR 1,759 thousand (31 December 2018: SR 1,126 thousand) from Bank Al Jazira (founding shareholder).

13. ZAKAT AND INCOME TAX

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

| | 31 March 2019 (Unaudited) SR'000 | 31 December 2018 (Audited) SR'000 |
|---|---|--|
| <u>a) Zakat</u> | | |
| Balance at the beginning of period/year | 907 | 895 |
| Zakat for the period/year | 214 | 854 |
| Zakat paid during the period/year | - | (842) |
| Balance at the end of the period/year | 1,121 | 907 |
| <u>b) Income tax</u> | | |
| Balance at the beginning of period/year | 132 | 128 |
| Income tax for the period/year | 36 | 142 |
| Income tax paid during the period/year | - | (138) |
| Balance at the end of the period/year | 168 | 132 |
| Total Zakat and income tax | 1,289 | 1,039 |

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 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 2017 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.

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 and murabaha deposit, contribution receivables, available-for-sale investments held to cover unit-linked liabilities, FVIS 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 31 March 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.

As at 31 March 2019, all financial instruments which are fair valued are Level 1 instruments (31 December 2018: Level 1). There are no transfers between Level 1, Level 2 and Level 3 during the period.

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.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2019

16. OPERATING SEGMENT INFORMATION (continued)

| | <i>As at 31 March 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 | - | 1,685 | 1,685 |
| Reinsurers' share of unearned contributions | - | 5,672 | 5,672 |
| Reinsurers' share of outstanding claims | 51 | 15,505 | 15,556 |
| Reinsurers' share of claims incurred but not reported | - | 7,749 | 7,749 |
| Available-for-sale investments held to cover unit link liabilities | 149,341 | - | 149,341 |
| | <u>149,392</u> | <u>30,611</u> | <u>180,003</u> |
| Unallocated assets: | | | |
| Cash and cash equivalents | | | 12,053 |
| Investments | | | 393,805 |
| Due from a related party | | | 12,620 |
| Prepayments and other receivables | | | 843 |
| Furniture and fixtures | | | 469 |
| Statutory deposit | | | 35,000 |
| TOTAL ASSETS | | | <u>634,793</u> |
| LIABILITIES | | | |
| Reinsurers' balances payable | 420 | 14,827 | 15,247 |
| Unearned contributions | - | 13,551 | 13,551 |
| Outstanding claims | 171 | 18,418 | 18,589 |
| Claims incurred but not reported | - | 9,881 | 9,881 |
| Unit reserve | 150,609 | - | 150,609 |
| Mathematical reserve | 522 | - | 522 |
| | <u>151,722</u> | <u>56,677</u> | <u>208,399</u> |
| Unallocated liabilities and surplus: | | | |
| Accrued expenses and other liabilities | | | 14,296 |
| End-of-service indemnities | | | 2,210 |
| Zakat and income tax | | | 1,289 |
| Surplus from Insurance Operations | | | 3,429 |
| TOTAL LIABILITIES | | | <u>229,623</u> |
| EQUITY | | | |
| Share capital | | | 350,000 |
| Statutory reserve | | | 23,253 |
| Retained earnings | | | 31,835 |
| TOTAL SHAREHOLDERS' EQUITY | | | <u>405,088</u> |
| Remeasurement reserve of defined benefit obligation - related to insurance operations | | | 82 |
| TOTAL EQUITY | | | <u>405,170</u> |
| TOTAL LIABILITIES AND EQUITY | | | <u>634,793</u> |

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 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 receivables | | | 720 |
| Fixtures, furniture and equipment | | | 260 |
| Statutory deposit | | | 35,000 |
| TOTAL ASSETS | | | <u>611,191</u> |
| LIABILITIES | | | |
| Reinsurers' 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 |
| End-of-service indemnities | | | 2,050 |
| Zakat and income tax | | | 1,039 |
| Surplus from Insurance Operations | | | 2,827 |
| TOTAL LIABILITIES | | | <u>213,221</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>397,970</u> |
| TOTAL LIABILITIES AND EQUITY | | | <u>611,191</u> |

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2019

16. OPERATING SEGMENT INFORMATION (continued)

| | <i>31 March 2019 (Unaudited)</i> | | |
|---|----------------------------------|-------------------------|-------------------------|
| | <i>Individual SR'000</i> | <i>Group SR'000</i> | <i>Total SR'000</i> |
| REVENUE | | | |
| Gross written contributions: | | | |
| Individual | 16,193 | - | 16,193 |
| Micro Enterprises | - | - | - |
| Small Enterprises | - | 61 | 61 |
| Medium Enterprises | - | - | - |
| Corporate | - | 1,123 | 1,123 |
| Total gross written contributions | 16,193 | 1,184 | 17,377 |
| Contributions ceded: | | | |
| Local | - | - | - |
| Foreign | (220) | (830) | (1,050) |
| Net written contributions | 15,973 | 354 | 16,327 |
| Change in unearned contributions, net | - | 5,889 | 5,889 |
| Net contribution earned | 15,973 | 6,243 | 22,216 |
| Other underwriting income | 172 | - | 172 |
| TOTAL REVENUES | 16,145 | 6,243 | 22,388 |
| UNDERWRITING COSTS AND EXPENSES | | | |
| Gross claims paid | - | (2,158) | (2,158) |
| Reinsurance share of claims paid | - | 1,686 | 1,686 |
| Net claims paid | - | (472) | (472) |
| Changes in outstanding claims, net | (21) | (915) | (936) |
| Changes in IBNR, net | - | 776 | 776 |
| Net claims incurred | (21) | (611) | (632) |
| Investible contributions, net | (13,091) | - | (13,091) |
| Change in mathematical reserve | 35 | - | 35 |
| Policy acquisition costs | (856) | (160) | (1,016) |
| Supervision and inspection fees | (81) | (6) | (87) |
| TOTAL UNDERWRITING COSTS AND EXPENSES | (14,014) | (777) | (14,791) |
| NET UNDERWRITING INCOME | 2,131 | 5,466 | 7,597 |
| OTHER OPERATING (EXPENSES)/ INCOME | | | |
| Allowance for doubtful debts | - | - | (117) |
| General and administrative expenses | - | - | (2,513) |
| Commission from held-to-maturity Investments | - | - | 2,415 |
| Commission income on deposits | - | - | 12 |
| Unrealized gain on FVIS investments | - | - | 541 |
| Realized gain on FVIS investments | - | - | 20 |
| Dividend | - | - | - |
| Other income | - | - | 97 |
| TOTAL OTHER OPERATING INCOME, NET | | | 455 |
| Net income for the period | | | 8,052 |
| Net income attributed to the insurance operations | | | (602) |
| Net income for the period attributable to the shareholders | | | 7,450 |

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2019

16. OPERATING SEGMENT INFORMATION (continued)

| | <i>31 March 2018 (Unaudited)</i> | | |
|---|----------------------------------|-------------------------|-------------------------|
| | <i>Individual SR'000</i> | <i>Group SR'000</i> | <i>Total SR'000</i> |
| REVENUE | | | |
| Gross written contributions | | | |
| Individual | 13,845 | - | 13,845 |
| Micro Enterprises | - | - | - |
| Small Enterprises | - | 3 | 3 |
| Medium Enterprises | - | 128 | 128 |
| Corporate | - | 466 | 466 |
| Total gross written contributions | 13,845 | 597 | 14,442 |
| Contributions ceded: | | | |
| Local | - | - | - |
| Foreign | (193) | (252) | (445) |
| Net written contributions | 13,652 | 345 | 13,997 |
| Change in unearned contributions, net | - | 5,155 | 5,155 |
| Net contribution earned | 13,652 | 5,500 | 19,152 |
| Other underwriting income | 461 | - | 461 |
| TOTAL REVENUES | 14,113 | 5,500 | 19,613 |
| UNDERWRITING COSTS AND EXPENSES | | | |
| Gross claims paid | - | (3,523) | (3,523) |
| Reinsurance share of claims paid | - | 2,829 | 2,829 |
| Net claims paid | - | (694) | (694) |
| Changes in outstanding claims, net | - | (78) | (78) |
| Changes in IBNR, net | - | 531 | 531 |
| Net claims incurred | - | (241) | (241) |
| Investible contributions, net | (11,686) | - | (11,686) |
| Change in mathematical reserve | 40 | - | 40 |
| Policy acquisition costs | (319) | - | (319) |
| Supervision and inspection fees | (69) | (3) | (72) |
| TOTAL UNDERWRITING COSTS AND EXPENSES | (12,034) | (244) | (12,278) |
| NET UNDERWRITING INCOME | 2,079 | 5,256 | 7,335 |
| OTHER OPERATING (EXPENSES)/ INCOME | | | |
| Allowance for doubtful debts | - | (27) | (27) |
| General and administrative expenses | - | - | (2,124) |
| Commission from held-to-maturity Investments | - | - | 2,416 |
| Commission income on deposits | - | - | 204 |
| Unrealized gain on FVIS investments | - | - | 90 |
| Dividend | - | - | 8 |
| Other income | - | - | 72 |
| TOTAL OTHER OPERATING INCOME, NET | | | 639 |
| Net income for the period | | | 7,974 |
| Net income attributed to the insurance operations | | | (632) |
| Net income for the period attributable to the shareholders | | | 7,342 |

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2019

17. SUPPLEMENTRY INFORMATION

a) INTERIM STATEMENT OF FINANCIAL POSITION

| | <i>Insurance operations SR'000</i> | <i>Shareholders' operations SR'000</i> | <i>31 March 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 | 10,861 | 1,192 | 12,053 | 13,208 | 3,854 | 17,062 |
| Contributions receivable, net | 1,685 | - | 1,685 | 1,633 | - | 1,633 |
| Reinsurers' share of unearned contributions | 5,672 | - | 5,672 | 9,006 | - | 9,006 |
| Reinsurers' share of outstanding claims | 15,556 | - | 15,556 | 7,918 | - | 7,918 |
| Reinsurers' share of claims incurred but not reported | 7,749 | - | 7,749 | 8,089 | - | 8,089 |
| Available-for-sale investments held to cover unit-linked liabilities | 149,341 | - | 149,341 | 128,230 | - | 128,230 |
| Investments | 53,925 | 339,880 | 393,805 | 58,530 | 337,299 | 395,829 |
| Due from a related party | 12,620 | - | 12,620 | 7,444 | - | 7,444 |
| Prepayments and other receivables | 607 | 236 | 843 | 679 | 41 | 720 |
| Due from Insurance Operations | - | 31,103 | 31,103 | - | 25,522 | 25,522 |
| Furniture and fixtures | 469 | - | 469 | 260 | - | 260 |
| Statutory deposit | - | 35,000 | 35,000 | - | 35,000 | 35,000 |
| | <u>258,485</u> | <u>407,411</u> | <u>665,896</u> | <u>234,997</u> | <u>401,716</u> | <u>636,713</u> |
| Less: Inter-operations eliminations | - | (31,103) | (31,103) | - | (25,522) | (25,522) |
| TOTAL ASSETS | <u>258,485</u> | <u>376,308</u> | <u>634,793</u> | <u>234,997</u> | <u>376,194</u> | <u>611,191</u> |
| LIABILITIES | | | | | | |
| Accrued expenses and other liabilities | 13,262 | 1,034 | 14,296 | 13,758 | 2,789 | 16,547 |
| Reinsurers' balances payable | 15,247 | - | 15,247 | 16,125 | - | 16,125 |
| Unearned contributions | 13,551 | - | 13,551 | 22,774 | - | 22,774 |
| Outstanding claims | 18,589 | - | 18,589 | 10,015 | - | 10,015 |
| Claims incurred but not reported | 9,881 | - | 9,881 | 10,997 | - | 10,997 |
| Unit reserve | 150,609 | - | 150,609 | 130,290 | - | 130,290 |
| Mathematical reserve | 522 | - | 522 | 557 | - | 557 |
| End-of-service indemnities | 2,210 | - | 2,210 | 2,050 | - | 2,050 |
| Zakat and income tax | - | 1,289 | 1,289 | - | 1,039 | 1,039 |
| Due to Shareholders' Operations | 31,103 | - | 31,103 | 25,522 | - | 25,522 |
| Surplus from Insurance Operations | 3,429 | - | 3,429 | 2,827 | - | 2,827 |
| | <u>258,403</u> | <u>2,323</u> | <u>260,726</u> | <u>234,915</u> | <u>3,828</u> | <u>238,743</u> |
| Less: Inter-operations eliminations | (31,103) | - | (31,103) | (25,522) | - | (25,522) |
| TOTAL LIABILITIES | <u>227,300</u> | <u>2,323</u> | <u>229,623</u> | <u>209,393</u> | <u>3,828</u> | <u>213,221</u> |
| EQUITY | | | | | | |
| Share capital | - | 350,000 | 350,000 | - | 350,000 | 350,000 |
| Statutory reserve | - | 23,253 | 23,253 | - | 23,253 | 23,253 |
| Retained earnings | - | 31,835 | 31,835 | - | 24,635 | 24,635 |
| Re-measurement reserve of defined benefit obligation – related to insurance operations | 82 | - | 82 | 82 | - | 82 |
| TOTAL EQUITY | <u>82</u> | <u>405,088</u> | <u>405,170</u> | <u>82</u> | <u>397,888</u> | <u>397,970</u> |
| TOTAL LIABILITIES AND EQUITY | <u>227,382</u> | <u>407,411</u> | <u>634,793</u> | <u>209,475</u> | <u>401,716</u> | <u>611,191</u> |

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2019

17. SUPPLEMENTRY INFORMATION (continued)

b) INTERIM STATEMENT OF INCOME

| | <i>Three-month period ended 31 March (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> |
| REVENUE | | | | | | |
| Gross written contributions | | | | | | |
| Individual | 16,193 | - | 16,193 | 13,845 | - | 13,845 |
| Micro Enterprises | - | - | - | - | - | - |
| Small Enterprises | 61 | - | 61 | 3 | - | 3 |
| Medium Enterprises | - | - | - | 128 | - | 128 |
| Corporate | 1,123 | - | 1,123 | 466 | - | 466 |
| Total gross written contributions | 17,377 | - | 17,377 | 14,442 | - | 14,442 |
| Contributions ceded: | | | | | | |
| Local | - | - | - | - | - | - |
| Foreign | (1,050) | - | (1,050) | (445) | - | (445) |
| Net written contributions | 16,327 | - | 16,327 | 13,997 | - | 13,997 |
| Change in unearned contributions, Net | 5,889 | - | 5,889 | 5,155 | - | 5,155 |
| Net contribution earned | 22,216 | - | 22,216 | 19,152 | - | 19,152 |
| Other underwriting income | 172 | - | 172 | 461 | - | 461 |
| TOTAL REVENUES | 22,388 | - | 22,388 | 19,613 | - | 19,613 |
| UNDERWRITING COSTS AND EXPENSES | | | | | | |
| Gross claims paid | (2,158) | - | (2,158) | (3,523) | - | (3,523) |
| Reinsurance share of claims paid | 1,686 | - | 1,686 | 2,829 | - | 2,829 |
| Net claims paid | (472) | - | (472) | (694) | - | (694) |
| Changes in outstanding claims, net | (936) | - | (936) | (78) | - | (78) |
| Changes in IBNR, net | 776 | - | 776 | 531 | - | 531 |
| Net claims incurred | (632) | - | (632) | (241) | - | (241) |
| Investible contributions, net | (13,091) | - | (13,091) | (11,686) | - | (11,686) |
| Change in mathematical reserve | 35 | - | 35 | 40 | - | 40 |
| Policy acquisition costs | (1,016) | - | (1,016) | (319) | - | (319) |
| Supervision and inspection fees | (87) | - | (87) | (72) | - | (72) |
| TOTAL UNDERWRITING COSTS AND EXPENSES | (14,791) | - | (14,791) | (12,278) | - | (12,278) |
| NET UNDERWRITING INCOME | 7,597 | - | 7,597 | 7,335 | - | 7,335 |
| OTHER OPERATING (EXPENSES)/ INCOME | | | | | | |
| Allowance for doubtful debts | (117) | - | (117) | (27) | - | (27) |
| General and administrative expenses | (1,950) | (563) | (2,513) | (1,354) | (770) | (2,124) |
| Commission from held-to-maturity Investments | 113 | 2,302 | 2,415 | 113 | 2,303 | 2,416 |
| Commission income on deposits | 11 | 1 | 12 | 197 | 7 | 204 |
| Unrealized gain on FVIS investments | 262 | 279 | 541 | - | 90 | 90 |
| Realized gain on FVIS investments | 20 | - | 20 | - | - | - |
| Dividend | - | - | - | - | 8 | 8 |
| Other income | 77 | 20 | 97 | 60 | 12 | 72 |
| TOTAL OTHER OPERATING (EXPENSES)/ INCOME | (1,584) | 2,039 | 455 | (1,011) | 1,650 | 639 |

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2019

17. SUPPLEMENTARY INFORMATION (continued)

b) INTERIM STATEMENT OF INCOME (continued)

| | <i>Three-month period ended 31 March (Unaudited)</i> | | | | | |
|---|--|--|------------------------|--|--|------------------------|
| | <i>Insurance operations SR'000</i> | <i>Shareholders' operations SR'000</i> | <i>2019 SR'000</i> | <i>Insurance operations SR'000</i> | <i>Shareholders' operations SR'000</i> | <i>2018 SR'000</i> |
| NET SURPLUS FROM OPERATIONS | 6,013 | 2,039 | 8,052 | 6,324 | 1,650 | 7,974 |
| Surplus transferred to Shareholders | (5,411) | 5,411 | - | (5,692) | 5,692 | - |
| NET INCOME FOR THE PERIOD | 602 | 7,450 | 8,052 | 632 | 7,342 | 7,974 |
| Weighted average number of ordinary shares outstanding (in thousands) | - | 35,000 | - | - | 35,000 | - |
| Basic and diluted earnings per share for the period (SR) | - | 0.213 | - | - | 0.210 | - |

c) INTERIM STATEMENT OF COMPREHENSIVE INCOME

| | <i>Three-month period ended 31 March (Unaudited)</i> | | | | | |
|---|--|--|------------------------|--|--|------------------------|
| | <i>Insurance operations SR'000</i> | <i>Shareholders' operations SR'000</i> | <i>2019 SR'000</i> | <i>Insurance operations SR'000</i> | <i>Shareholders' operations SR'000</i> | <i>2018 SR'000</i> |
| NET INCOME FOR THE PERIOD | 602 | 7,450 | 8,052 | 632 | 7,342 | 7,974 |
| Other comprehensive income | - | - | - | - | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 602 | 7,450 | 8,052 | 632 | 7,342 | 7,974 |

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2019

17. SUPPLEMENTRY INFORMATION (continued)

d) INTERIM STATEMENT OF CASH FLOWS

| | <i>Three-month period ended 31 March (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 | 602 | 7,450 | 8,052 | 632 | 7,342 | 7,974 |
| Adjustments for the period: | | | | | | |
| Reinsurers' share of unearned contributions | 3,334 | - | 3,334 | 3,548 | - | 3,548 |
| Unearned contributions | (9,223) | - | (9,223) | (8,703) | - | (8,703) |
| Allowance for doubtful receivables | 117 | - | 117 | 27 | - | 27 |
| Commission from held-to-maturity investments | (113) | (2,302) | (2,415) | (113) | (2,303) | (2,416) |
| Unrealised gain on FVIS investments | (262) | (279) | (541) | - | (90) | (90) |
| Depreciation | 21 | - | 21 | 1 | - | 1 |
| Realized gain on FVIS investments | (20) | - | (20) | - | - | - |
| End-of-service indemnities | 166 | - | 166 | 440 | - | 440 |
| | <u>(5,378)</u> | <u>4,869</u> | <u>(509)</u> | <u>(4,168)</u> | <u>4,949</u> | <u>781</u> |
| Changes in operating assets and liabilities | | | | | | |
| Contributions receivable | (169) | - | (169) | (504) | - | (504) |
| Reinsurers' share of outstanding claims | (7,638) | - | (7,638) | 223 | - | 223 |
| Reinsurers' share of claims incurred but not reported | 340 | - | 340 | (431) | - | (431) |
| Available-for-sale investments held to cover unit-linked liabilities, net | (21,111) | - | (21,111) | (10,961) | - | (10,961) |
| Due from a related party | (5,176) | - | (5,176) | (514) | - | (514) |
| Prepayments and other receivables | 72 | (195) | (123) | 101 | 21 | 122 |
| Accrued expenses and other liabilities | (496) | (1,755) | (2,251) | 1,083 | (1,252) | (169) |
| Reinsurers' balances payable | (878) | - | (878) | (2,952) | - | (2,952) |
| Outstanding claims | 8,574 | - | 8,574 | (145) | - | (145) |
| Claims incurred but not reported | (1,116) | - | (1,116) | (100) | - | (100) |
| Unit reserve | 20,319 | - | 20,319 | 10,945 | - | 10,945 |
| Mathematical reserve | (35) | - | (35) | (40) | - | (40) |
| Due to Shareholders' Operations | 5,581 | - | 5,581 | 5,826 | - | 5,826 |
| Due from Insurance Operations | - | (5,581) | (5,581) | - | (5,826) | (5,826) |
| Cash used in operations | <u>(7,111)</u> | <u>(2,662)</u> | <u>(9,773)</u> | <u>(1,637)</u> | <u>(2,108)</u> | <u>(3,745)</u> |
| End-of-service indemnities paid | <u>(6)</u> | <u>-</u> | <u>(6)</u> | <u>(621)</u> | <u>-</u> | <u>(621)</u> |
| Net cash used in operating activities | <u>(7,117)</u> | <u>(2,662)</u> | <u>(9,779)</u> | <u>(2,258)</u> | <u>(2,108)</u> | <u>(4,366)</u> |
| INVESTING ACTIVITIES | | | | | | |
| Purchase of furniture and fixtures | (230) | - | (230) | (262) | - | (262) |
| Proceeds from sale of FVIS investments | 5,000 | - | 5,000 | - | - | - |
| Net cash used in investing activities | <u>4,770</u> | <u>-</u> | <u>4,770</u> | <u>(262)</u> | <u>-</u> | <u>(262)</u> |
| Net decrease in cash and cash equivalents | (2,347) | (2,662) | (5,009) | (2,520) | (2,108) | (4,628) |
| 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 | 10,861 | 1,192 | 12,053 | 44,294 | 4,340 | 48,634 |

- 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)).

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2019

18. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors on 11 May 2019, corresponding to 6 Ramadhan 1440H.