

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

**UNAUDITED INTERIM CONDENSED  
FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH AND TWELVE-MONTH  
PERIODS ENDED 31 DECEMBER 2017**

ALJAZIRA TAKAFUL TAAWUNI COMPANY  
(A SAUDI JOINT STOCK COMPANY)

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UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED  
31 DECEMBER 2017

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**Al-Bassam & Co.**  
**Allied Accountants**  
(Member firm of PKF International)

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



Ernst & Young & Co. (Public Accountants)  
13<sup>th</sup> Floor - King's Road Tower  
PO Box 1994  
King Abdulaziz Road (Malek Road)  
Jeddah 21441  
Saudi Arabia  
Registration Number: 45

## 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 December 2017 and the related interim statements of insurance operations and accumulated surplus, shareholders' operations, shareholders' comprehensive income for the three-month and twelve-month periods then ended and the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the twelve-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair 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" 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.

PKF Al-Bassam & Co.  
Allied Accountants

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



for Ernst & Young

Ahmed I. Reda  
Certified Public Accountant  
Licence No. 356



Jeddah, Kingdom of Saudi Arabia  
25 Jumada I 1439 H  
Corresponding to 11 February 2018

ALJAZIRA TAKAFUL TAAWUNI COMPANY  
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	31 December 2017 (Unaudited) SR'000	31 December 2016 (Audited) SR'000
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	3	46,814	58,984
Held-to-maturity investments	4	15,001	-
Available-for-sale investments held to cover unit-linked liabilities	5	106,626	69,953
Contributions receivable, net	6	203	222
Reinsurance share of unearned contributions		7,261	6,912
Reinsurance share of outstanding claims including IBNR	10	15,586	12,009
Due from a related party	11(b)	5,432	3,665
Prepayments and other receivables		708	288
<b>Total Insurance Operations' Assets</b>		<b>197,631</b>	<b>152,033</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	3	6,448	22,893
Held-to-maturity investments	4	297,585	272,900
FVIS Investments	7	31,700	31,206
Prepayments and other receivables		46	-
Due from Insurance Operations		24,488	19,825
Statutory deposit		35,000	35,000
<b>Total Shareholders' Assets</b>		<b>395,267</b>	<b>381,824</b>
<b>TOTAL ASSETS</b>		<b>592,898</b>	<b>533,857</b>



Chairman



Managing Director



Chief Financial Officer

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

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

**INTERIM STATEMENT OF FINANCIAL POSITION (continued)**

As at 31 December 2017

	Notes	31 December 2017 (Unaudited) SR'000	31 December 2016 (Audited) SR'000
<b>INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>			
Insurance Operations' Liabilities			
Unit reserve	8	107,177	70,282
Mathematical reserve	9	958	871
Unearned contributions		18,342	17,893
Outstanding claims including IBNR	10	21,239	17,399
Advance contributions		421	386
Contributions deposit		765	459
Reinsurance balances payable		7,965	11,169
Accrued expenses and other liabilities		11,603	9,673
Due to Shareholders' Operations		24,488	19,825
Employees' end of service benefits		1,960	1,924
<b>Total Insurance Operations' Liabilities</b>		<b>194,918</b>	<b>149,881</b>
Insurance Operations' Surplus			
Surplus from Insurance Operations		2,713	2,152
<b>Total Insurance Operations' Liabilities and Surplus</b>		<b>197,631</b>	<b>152,033</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
Shareholders' Liabilities			
Accrued expenses and other liabilities		2,700	1,630
Accrued zakat and income tax	12	1,023	1,330
<b>Total Shareholders' Liabilities</b>		<b>3,723</b>	<b>2,960</b>
Shareholders' Equity			
Share capital		350,000	350,000
Statutory reserve		16,885	10,671
Retained earnings		24,659	18,193
<b>Total Shareholders' Equity</b>		<b>391,544</b>	<b>378,864</b>
<b>Total Shareholders' Liabilities and Equity</b>		<b>395,267</b>	<b>381,824</b>
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES, SURPLUS, SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>592,898</b>	<b>533,857</b>

Chairman

Chief Financial Officer

Managing Director

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

ALJAZIRA TAKAFUL TAAWUNI COMPANY  
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED  
SURPLUS (UNAUDITED)

For the three-month and twelve-month periods ended 31 December 2017

	Three-month period ended 31 December		Twelve-month period ended 31 December	
Note	2017 SR'000	2016 SR'000	2017 SR'000	2016 SR'000
<b>INSURANCE REVENUE</b>				
Gross written contributions	12,944	11,692	85,620	82,655
Investible contributions, net	(10,603)	(9,338)	(38,531)	(37,480)
Net insurance contributions	2,341	2,354	47,089	45,175
Contributions ceded	(1,334)	(670)	(17,599)	(15,287)
Net written contributions	1,007	1,684	29,490	29,888
Change in unearned contributions, net	5,441	5,158	(100)	(2,252)
Change in mathematical reserve	11	(570)	(87)	(626)
Net insurance revenue	6,459	6,272	29,303	27,010
<b>CLAIMS AND EXPENSES</b>				
Gross claims paid	(3,247)	(2,906)	(13,895)	(9,378)
Reinsurance share of claims paid	2,263	2,213	11,436	7,615
Net claims paid	(984)	(693)	(2,459)	(1,763)
Change in outstanding claims including IBNR, net	1,272	1,102	(263)	(1,187)
Net claims recovered/(incurred)	288	409	(2,722)	(2,950)
Policy acquisition costs	(430)	(415)	(1,555)	(2,095)
Supervision and inspection fees	(65)	(45)	(428)	(381)
Total claims and expenses	(207)	(51)	(4,705)	(5,426)
Underwriting surplus for the period	6,252	6,221	24,598	21,584
General and administrative expenses	(1,309)	(1,104)	(4,994)	(5,032)
Investment income	334	368	842	1,203
Other income	2,281	440	6,680	3,770
<b>SURPLUS FOR THE PERIOD FROM INSURANCE OPERATIONS</b>	7,558	5,925	27,126	21,525
Shareholders' share of surplus from Insurance Operations	2(a) (6,802)	(5,333)	(24,413)	(19,373)
Surplus for the period	756	592	2,713	2,152
Surplus from Insurance Operations at the beginning of the period	4,109	3,056	2,152	1,623
Distribution of surplus to policyholders	(2,152)	(1,496)	(2,152)	(1,623)
Accumulated surplus from Insurance Operations at the end of the period	2,713	2,152	2,713	2,152

Chairman

Chief Financial Officer

Managing Director

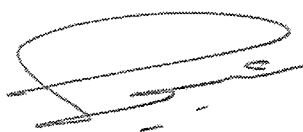
The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.


ALJAZIRA TAKAFUL TAAWUNI COMPANY  
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS (UNAUDITED)

For the three-month and twelve-month periods ended 31 December 2017

	Notes	Three-month period ended 31 December		Twelve-month period ended 31 December	
		2017 SR'000	2016 SR'000	2017 SR'000	2016 SR'000
Shareholders' share of surplus from Insurance Operations	2(a)	6,802	5,333	24,413	19,373
Commission from held-to-maturity investments	11(a)	2,129	2,586	8,851	8,056
Realised gains on investments		-	-	-	215
Unrealised gains on FVIS Investments	7	102	330	494	491
Dividend Income		-	-	39	23
Other Income		36	20	161	78
<b>Total Income</b>		<b>9,069</b>	<b>8,269</b>	<b>33,958</b>	<b>28,236</b>
General and administrative expenses		(983)	(735)	(2,889)	(2,317)
<b>NET INCOME FOR THE PERIOD</b>		<b>8,086</b>	<b>7,534</b>	<b>31,069</b>	<b>25,919</b>
Weighted average number of ordinary shares outstanding (in thousands)		35,000	35,000	35,000	35,000
Basic and diluted earnings per share for the period (SR)	13	0.231	0.215	0.888	0.740

  
Chairman

  
Managing Director

  
Chief Financial Officer

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

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ALJAZIRA TAKAFUL TAAWUNI COMPANY  
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME  
(UNAUDITED)

For the three-month and twelve-month periods ended 31 December 2017

	Three-month period ended 31 December		Twelve-month period ended 31 December	
	2017 SR'000	2016 SR'000	2017 SR'000	2016 SR'000
NET INCOME FOR THE PERIOD	8,086	7,534	31,069	25,919
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	8,086	7,534	31,069	25,919



Chairman



Managing Director



Chief Financial Officer

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

ALJAZIRA TAKAFUL TAAWUNI COMPANY  
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the twelve-month period ended 31 December 2017

	Share capital SR'000	Statutory reserve SR'000	Retained earnings SR'000	Total SR'000
Balance as at 31 December 2016 (Unaudited)	350,000	10,671	18,193	378,864
Net income for the period	-	-	31,069	31,069
Dividend (note 14)	-	-	(17,500)	(17,500)
Transferred to Statutory reserve	-	6,214	(6,214)	-
Zakat for the period (note 12)	-	-	(762)	(762)
Income tax for the period (note 12)	-	-	(127)	(127)
Balance as at 31 December 2017 (Unaudited)	350,000	16,885	24,659	391,544

	Share Capital SR'000	Statutory reserve SR'000	Retained earnings SR'000	Total SR'000
Balance as at 31 December 2015 (Audited)	350,000	5,487	16,230	371,717
Net income for the period	-	-	25,919	25,919
Dividend (note 14)	-	-	(17,500)	(17,500)
Transferred to Statutory reserve	-	5,184	(5,184)	-
Zakat for the period (note 12)	-	-	(1,132)	(1,132)
Income tax for the period (note 12)	-	-	(140)	(140)
Balance as at 31 December 2016 (Audited)	350,000	10,671	18,193	378,864



Chairman



Managing Director



Chief Financial Officer

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

ALJAZIRA TAKAFUL TAAWUNI COMPANY  
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS  
(UNAUDITED)

For the twelve-month period ended 31 December 2017

	Twelve-month period ended 31 December	
	2017	2016
	SR'000	SR'000
<b>OPERATING ACTIVITIES</b>		
Surplus for the period	2,713	2,152
Adjustments for the period:		
Employees' end of service benefits	620	1,567
Written-off/allowance for doubtful receivables	2	28
Reinsurance share of unearned contributions	(349)	1,574
Unearned contributions	449	678
Commission on held-to-maturity investments	(1)	-
Distribution of surplus to policyholders	(2,152)	(1,623)
	1,282	4,376
Changes in operating assets and liabilities:		
Available-for-sale investments held to cover unit-linked liabilities, net	(36,673)	(32,848)
Contributions receivable	17	858
Reinsurance share of outstanding claims including IBNR	(3,577)	(6,043)
Due from a related party	(1,767)	(1,614)
Prepayments and other receivables	(420)	(42)
Change in unit reserve	36,895	33,453
Change in mathematical reserve	87	-
Outstanding claims including IBNR	3,840	7,230
Advance contributions	35	30
Contributions deposit	306	269
Reinsurance balances payable	(3,204)	(321)
Accrued expenses and other liabilities	1,930	2,546
Due to Shareholders' Operations	4,663	5,286
Cash from operations	3,414	13,180
Employees' end of service benefits paid	(584)	-
Net cash from operating activities	2,830	13,180
<b>INVESTING ACTIVITY</b>		
Purchase of held-to-maturity investment	(15,000)	-
Net cash used in investing activity	(15,000)	-
Net (decrease)/increase in cash and cash equivalents	(12,170)	13,180
Cash and cash equivalents at the beginning of the period	58,984	45,804
Cash and cash equivalents at the end of the period	46,814	58,984

Chairman

Chief Financial Officer

Managing Director

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

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

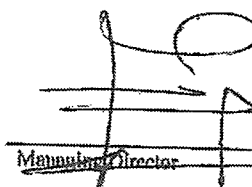
**INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS (UNAUDITED)**

For the twelve-month period ended 31 December 2017

		<i>Twelve-month period ended 31 December</i>	
		<i>2017</i>	<i>2016</i>
		<i>SR'000</i>	<i>SR'000</i>
<b>OPERATING ACTIVITIES</b>			
Net income for the period			
Adjustments for the period:		31,069	25,919
Commission income on held-to-maturity investments	11(n)	(8,851)	(8,056)
Realised gains on FVIS investments		-	(215)
Unrealised gains on FVIS investments	7	(494)	(491)
		<u>21,724</u>	<u>17,157</u>
Changes in operating assets and liabilities:			
Prepayments		(46)	-
Due from Insurance Operations		(4,663)	(5,286)
Accrued expenses and other liabilities		1,070	1,383
Cash from operations		<u>18,085</u>	<u>13,254</u>
Zakat and income tax paid	12	(1,196)	(721)
<b>Net cash from operating activities</b>		<u>16,889</u>	<u>12,533</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of FVIS investments	7	-	(7,101)
Purchase of held-to-maturity investments		(295,000)	-
Proceeds from disposal of FVIS investments	7	-	17,750
Proceeds from maturity of held-to-maturity investments		270,000	-
Advance for investment		-	331
Commission on held-to-maturity investments		9,166	5,417
<b>Net cash (used in)/from investing activities</b>		<u>(15,834)</u>	<u>16,397</u>
<b>FINANCING ACTIVITY</b>			
Dividend paid	14	(17,500)	(17,500)
<b>Net cash used in financing activity</b>		<u>(17,500)</u>	<u>(17,500)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(16,445)</u>	<u>11,430</u>
Cash and cash equivalents at the beginning of the period		<u>22,893</u>	<u>11,463</u>
<b>Cash and cash equivalents at the end of the period</b>		<u>6,448</u>	<u>22,893</u>



Chairman



Managing Director



Chief Financial Officer

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

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

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 December 2017

### 1. ORGANIZATION AND PRINCIPAL ACTIVITIES

AlJazira Takaful Taawuni Company (the "Company"), is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia pursuant to the Council of Ministers' 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 Articles of Association and applicable regulations in the Kingdom of Saudi Arabia. The Company received licence number TMN/34/201312 dated 15 Safar 1435H (corresponding to 18 December 2013) from the Saudi Arabian Monetary Authority (SAMA) to conduct insurance business.

The insurance portfolio and related assets and liabilities will be acquired from a founding shareholder by the Company on completion of valuation and approval by SAMA. Furthermore, in accordance with the Transitional Agreement (the "Agreement") between the Company and 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 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 AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

These interim condensed financial statements for the twelve-month period ended 31 December 2017 should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2016. These are prepared under the historical cost convention except for the measurement at fair value of available-for-sale investments held to cover unit-linked liabilities and Fair Value through Income Statement (FVIS) investments.

The Company follows a fiscal year ending 31 December.

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations. Assets, liabilities, income and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses of joint operations is determined by the management and approved by the Board of Directors.

As per the by-laws of the Company and Saudi Arabian Insurance Regulations, surplus arising from the Insurance Operations is distributed as follows:

Transfer to Shareholders' Operations	90%
Transfer to Insurance Operations	10%
	<hr/>
	100%
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ALJAZIRA TAKAFUL TAAWUNI COMPANY  
(A SAUDI JOINT STOCK COMPANY)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 December 2017

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

**(a) Basis of preparation (continued)**

If the Insurance Operations results in a deficit, the entire deficit is borne by the Shareholders Operations.

The Company presents its interim statement of financial position broadly in order of liquidity. The interim condensed financial statements are expressed in Saudi Riyals, being the functional currency of the Company and have been rounded off to the nearest thousand, unless otherwise specified.

**(b) Statement of compliance**

The interim condensed financial statements of the Company have been prepared in accordance with International Accounting Standard (IAS) 34 - Interim Financial Reporting as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax, which requires, adoption of all IFRS 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 11 April 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. As the Company's accounting policy for the zakat and income tax has always been consistent with the SAMA's new guidance, the adoption of the guidance has not resulted in any changes in the accounting policies, accounting treatment or amounts reported in current or prior years/periods.

These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2016.

**Use of estimates and judgements**

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the interim financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. In the opinion of the management, the interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim period presented.

The estimate and judgments used by management in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2016.

**(b) Summary of significant accounting policies**

The accounting and risk management policies adopted in the preparation of these condensed interim financial statements are consistent with the Company's audited financial statements for the year ended 31 December 2016, except for the adoption of the amendments to existing standards mentioned below which had no financial impact on the interim condensed financial statements of the Company.

Certain comparative amounts have been reclassified / regrouped to conform with the current period's presentation. This did not have any impact on interim statement of changes in shareholders' equity for the period.

ALJAZIRA TAKAFUL TAAWUNI COMPANY  
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)  
At 31 December 2017

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

**(c) Summary of significant accounting policies (continued)**

*New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company*

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

<u>Standard/ Amendments</u>	<u>Description</u>
IAS 7	Amendments to IAS 7 – “Statement of Cash flows: Disclosure Initiative”, The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Company is not required to provide additional disclosures in its interim condensed financial statements, but will disclose additional information in its annual financial statements for the year ending 31 December 2017.
IFRS 12	The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.
	This did not have any impact on the interim condensed financial statements of the Company as there is no investment in subsidiary, a joint venture or an associate.

**(c) New IFRS, IFRIC and amendments thereof, issued but not yet effective**

Standards issued but not yet effective up to the date of issuance of the Company's interim condensed financial statements are listed below. The listing of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.

<u>Standard/ Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 2	Amendments to IFRS 2 Classification and Measurement of share-based Payment transactions.	1 January 2018
IAS 40	Amendments to IAS 40 Transfers of investment property.	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance consideration.	1 January 2018
IFRS 1 and IAS 28	Annual Improvements 2016 to IFRS 2014 - 2016 cycle.	1 January 2018
IFRS 16	Leases	1 January 2019

The implementation of IFRS 9 is expected to result in a significant portion of a company's financial assets at present classified as 'available-for-sale' being re-classified as 'fair value through profit or loss or fair value through other comprehensive income (OCI)'. Credit allowances for financial assets carried at amortized cost and debt securities measured at fair value, with changes in fair value recognized in OCI, are expected to change due to the introduction of the expected credit loss methodology. Upon implementation of the IFRS 17 'Insurance Contracts', more assets may be classified as 'fair value through profit or loss' under the fair value option. IFRS 17 also introduces a temporary exemption for the implementation of IFRS 9 for reporting entities whose activities predominantly relate to insurance. The Company currently assessing the implications and application date and expects that it will be eligible for this temporary exemption. If management decides to defer the implementation of IFRS 9 until a later date, it will be no later than 1 January 2021.

The management is currently assessing the implications of adopting the above mentioned standards, amendments or interpretations on the Company's financial statements.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 December 2017

3. CASH AND CASH EQUIVALENTS

	31 December 2017 (Unaudited) SR'000	31 December 2016 (Audited) SR'000
<b>Insurance Operations</b>		
Cash at bank	6,814	11,424
Murabaha deposits	40,000	47,560
	<u>46,814</u>	<u>58,984</u>
<b>Shareholders' Operations</b>		
Cash at bank	4,648	22,893
Murabaha deposits	1,800	-
	<u>6,448</u>	<u>22,893</u>

Cash at bank and Murabaha deposits, except for an amount SR 0.5 million (2016: SR 3 million) are held with a founding shareholder.

4. HELD-TO-MATURITY INVESTMENTS

**Insurance Operations**

Held-to-maturity investment represent murabaha deposit with a maturity of three years made with a founding shareholder. The average commission rate on this investment at 31 December 2017 is 2.85% per annum. This investment will mature in 2021.

**Shareholders' Operations**

Held-to-maturity investments represent murabaha deposits with a maturity of three years made with a founding shareholder. The average commission rate on these investments at 31 December 2017 is 2.85% to 3.2% per annum (31 December 2016: 1.85% to 3.5% per annum). These investments will mature in 2020 and 2021.

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

At 31 December 2017

	Initial cost value SR'000	Change in fair value SR'000	31 December 2017 (Unaudited) SR'000
<b>Insurance Operations</b>			
Al – Qawafel Fund	525	10	535
Al Jazira Diversified Aggressive Fund	74,346	10,414	84,760
Al Jazira Diversified Balanced Fund	17,347	1,378	18,725
Al Jazira Diversified Conservative Fund	2,512	94	2,606
	<u>94,730</u>	<u>11,896</u>	<u>106,626</u>

At 31 December 2016

	Initial cost value SR'000	Change in fair value SR'000	31 December 2016 (Audited) SR'000
<b>Insurance Operations</b>			
Al – Qawafel Fund	425	6	431
Al Jazira Diversified Aggressive Fund	54,384	1,558	55,942
Al Jazira Diversified Balanced Fund	11,759	246	12,005
Al Jazira Diversified Conservative Fund	1,549	26	1,575
	<u>68,117</u>	<u>1,836</u>	<u>69,953</u>

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

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At 31 December 2017

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

The Company uses the following hierarchy methods for determining and disclosing the fair value of available for sale investments at the reporting period end:

Level 1: Fair value instruments using quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The Company's available-for-sale investments are classified under Level 1 hierarchy and there are no transfers between levels during the period.

**6. CONTRIBUTIONS RECEIVABLE, NET**

	<i>31 December 2017 (Unaudited) SR'000</i>	<i>31 December 2016 (Audited) SR'000</i>
<i>Insurance operations</i>		
Gross contributions receivable	203	250
Allowance for doubtful receivables	-	(28)
Contributions receivable, net	<u>203</u>	<u>222</u>

**7. FVIS INVESTMENTS**

The fair value through income statement ("FVIS") investments represent investment in the 'Al Qawafel Fund' managed by a founding shareholder, amounting to SR 31,145 thousand (31 December 2016: SR 30,555 thousand), and investment in shares of companies listed on Tadawul, amounting to SR 555 thousand (31 December 2016: SR 651 thousand).

Movement in these investments is as follows:

	<i>31 December 2017 (Unaudited) SR'000</i>	<i>31 December 2016 (Audited) SR'000</i>
Balance at beginning of the period	31,206	41,149
Purchases during the period	-	7,101
Disposals during the period	-	(17,535)
Changes in fair value during the period	494	491
Balance at end of the period	<u>31,700</u>	<u>31,206</u>

The Company's FVIS investments are classified under Level 1 and Level 2 hierarchy and there are no transfers between levels during the period.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 December 2017

**8. UNIT RESERVE**

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

	<i>31 December 2017 (Unaudited) SR'000</i>	<i>31 December 2016 (Audited) SR'000</i>
Balance at beginning of the period	70,282	37,455
Investible contributions	38,531	37,480
Surrenders	(13,532)	(6,489)
Change in fair value of available-for-sale investments (note 5)	11,896	1,836
Balance at the end of the period	<u>107,177</u>	<u>70,282</u>

**9. MATHEMATICAL RESERVE**

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

	<i>31 December 2017 (Unaudited) SR'000</i>	<i>31 December 2016 (Audited) SR'000</i>
Balance at beginning of the period	871	245
Change in mathematical reserve, net	87	626
Balance at the end of the period	<u>958</u>	<u>871</u>

**10. OUTSTANDING CLAIMS**

<i>31 December 2017 (Unaudited)</i>	<i>Gross SR'000</i>	<i>Reinsurers' share SR'000</i>	<i>Net SR'000</i>
Outstanding claims	12,901	(10,685)	2,216
Add: Incurred but not reported (IBNR) reserve	8,338	(4,901)	3,437
Total outstanding claims	<u>21,239</u>	<u>(15,586)</u>	<u>5,653</u>
<i>31 December 2016 (Audited)</i>	<i>Gross SR'000</i>	<i>Reinsurers' Share SR'000</i>	<i>Net SR'000</i>
Outstanding claims	10,083	(9,021)	1,062
Add: Incurred but not reported (IBNR) reserve	7,316	(2,988)	4,328
Total outstanding claims	<u>17,399</u>	<u>(12,009)</u>	<u>5,390</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 December 2017

**11. 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, 3, 4, 5 and 7 following are the details of major related party transactions during the twelve-month period ended:

<u>Related party</u>	<u>Nature of transaction</u>	<u>Amount of transaction</u>	
		<u>31 December</u> <u>2017</u> <u>(Unaudited)</u> <u>SR'000</u>	<u>31 December</u> <u>2016</u> <u>(Audited)</u> <u>SR'000</u>
<b>Shareholders' Operations</b>			
<i>Bank Al Jazira</i>	Commission earned on held-to-maturity investment	8,851	8,056
	Investment income	110	-
<i>AlJazira Capital</i>	Profit earned on mutual funds	590	906
<i>Founding shareholders</i>	Dividend paid	12,250	12,250
	Board of directors remuneration and fee	1,295	1,013
<b>Insurance Operations</b>			
<i>Bank Al Jazira</i>	Gross written contribution	37,828	35,821
	Claims paid	12,977	8,502
	Investment income	842	1,203
	Surplus distributed	1,524	-
<i>Board of directors &amp; committee members</i>	Gross written contribution	56	35
<i>Key management personnel</i>	Salaries, benefits and allowances, net (note1)	1,070	947
	Gross contribution written	21	28

- 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 nil (31 December 2016: SR 43 thousand) from Bank Al Jazira (founding shareholder).

**12. 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 is as follows:

	<u>31 December 2017 (Unaudited) SR'000</u>	<u>31 December 2016 (Audited) SR'000</u>
<b>a) Zakat</b>		
Balance at the beginning of period	1,217	733
Zakat for the period	762	1,132
Zakat paid during the period	(1,084)	(648)
Balance at the end of the period	895	1,217

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

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**12. ZAKAT AND INCOME TAX (continued)**

	<i>31 December 2017 (Unaudited) SR'000</i>	<i>31 December 2016 (Audited) SR'000</i>
<b><u>b) Income tax</u></b>		
Balance at the beginning of period	113	46
Income tax for the period	127	140
Income tax paid during the period	(112)	(73)
Balance at the end of the period	<u>128</u>	<u>113</u>

**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 and 2016 with General Authority of Zakat and Tax and obtained restricted certificates.

**13. 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.

**14. DIVIDEND**

On 1 Jumaada al-Akhir 1438H (corresponding to 28 February 2017), the Company's Board of Directors proposed to pay a dividend of SR 0.5 per share totalling SR 17.5 million to its shareholders (31 December 2016: SR 0.5 per share totalling SR 17.5 million). This dividend proposal was approved by the shareholders in the Ordinary General Assembly Meeting held on 21 Sha'ban 1438H (corresponding to 17 May 2017). Accordingly, the dividend payment was made on 5 Ramadan 1438H (corresponding to 31 May 2017).

**15. SEGMENT INFORMATION**

Consistent with the Company's internal reporting process, business segments have been approved by management in respect of the Company's activities, assets and liabilities as stated below.

Segment results do not include general and administrative expenses, investment income and other income. Segment assets do not include cash and cash equivalents, held to maturity investments, due from a related party and prepayments and other receivables.

Segment liabilities do not include accrued expenses and other liabilities, due to shareholders' operations, employees' end of service benefits and surplus from insurance operations.

The activities of Insurance Operations, which are all in the Kingdom of Saudi Arabia, are reported under two business units, as detailed below:

- Insurance - individual segment offers life Insurance products on an individual basis including unit linked investment oriented products.
- Insurance - group segment offers life protection programs to the members of organizations on a group basis.

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)  
At 31 December 2017

15. SEGMENT INFORMATION (continued)

	<i>For the three-month period ended 31 December 2017 (Unaudited)</i>		
	<i>Individual SR'000</i>	<i>Group SR'000</i>	<i>Total SR'000</i>
<b>INSURANCE REVENUE</b>			
Gross written contributions	12,602	342	12,944
Investible contributions, net	(10,603)	-	(10,603)
Net insurance contributions	1,999	342	2,341
Contributions ceded	(184)	(1,150)	(1,334)
Net written contributions	1,815	(808)	1,007
Change in unearned contributions, net	-	5,441	5,441
Change in mathematical reserve	11	-	11
<b>Net insurance revenue</b>	<b>1,826</b>	<b>4,633</b>	<b>6,459</b>
<b>CLAIMS AND EXPENSES</b>			
Gross claims paid	-	(3,247)	(3,247)
Reinsurance share of claims paid	-	2,263	2,263
Net claims paid	-	(984)	(984)
Change in outstanding claims including IBNR, net	-	1,272	1,272
Net claims recovered	-	288	288
Policy acquisition costs	(430)	-	(430)
Supervision and inspection fees	(63)	(2)	(65)
<b>Total claims and expenses</b>	<b>(493)</b>	<b>286</b>	<b>(207)</b>
<b>Underwriting surplus for the period</b>	<b>1,333</b>	<b>4,919</b>	<b>6,252</b>
General and administrative expenses			(1,309)
Investment income			334
Other income			2,281
<b>SURPLUS FOR THE PERIOD FROM INSURANCE OPERATIONS</b>			<b>7,558</b>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 December 2017

15. SEGMENT INFORMATION (continued)

	<i>For the three-month period ended 31 December 2016 (Unaudited)</i>		
	<i>Individual SR'000</i>	<i>Group SR'000</i>	<i>Total SR'000</i>
<b>INSURANCE REVENUE</b>			
Gross written contributions	11,288	404	11,692
Investible contributions, net	(9,338)	-	(9,338)
Net insurance contributions	1,950	404	2,354
Contributions ceded	(670)	-	(670)
Net written contributions	1,280	404	1,684
Change in unearned contributions, net	-	5,158	5,158
Change in mathematical reserve	(570)	-	(570)
<b>Net insurance revenue</b>	<b>710</b>	<b>5,562</b>	<b>6,272</b>
<b>CLAIMS AND EXPENSES</b>			
Gross claims paid	-	(2,906)	(2,906)
Reinsurance share of claims paid	-	2,213	2,213
Net claims paid	-	(693)	(693)
Change in outstanding claims including IBNR, net	(70)	1,172	1,102
Net claims (incurred)/recovered	(70)	479	409
Policy acquisition costs	(415)	-	(415)
Supervision and inspection fees	(43)	(2)	(45)
<b>Total claims and expenses</b>	<b>(528)</b>	<b>477</b>	<b>(51)</b>
<b>Underwriting surplus for the period</b>	<b>182</b>	<b>6,039</b>	<b>6,221</b>
General and administrative expenses			(1,104)
Investment income			368
Other income			440
<b>SURPLUS FOR THE PERIOD FROM INSURANCE OPERATIONS</b>			<b>5,925</b>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 December 2017

15. SEGMENT INFORMATION (continued)

	<i>For the twelve-month period ended 31 December 2017 (Unaudited)</i>		
	<i>Individual SR'000</i>	<i>Group SR'000</i>	<i>Total SR'000</i>
<b>INSURANCE REVENUE</b>			
Gross written contributions	46,307	39,313	85,620
Investible contributions, net	(38,531)	-	(38,531)
Net insurance contributions	7,776	39,313	47,089
Contributions ceded	(698)	(16,901)	(17,599)
Net written contributions	7,078	22,412	29,490
Change in unearned contributions, net	-	(100)	(100)
Change in mathematical reserve	(87)	-	(87)
<b>Net insurance revenue</b>	<b>6,991</b>	<b>22,312</b>	<b>29,303</b>
<b>CLAIMS AND EXPENSES</b>			
Gross claims paid	(98)	(13,797)	(13,895)
Reinsurance share of claims paid	29	11,407	11,436
Net claims paid	(69)	(2,390)	(2,459)
Change in outstanding claims including IBNR, net	-	(263)	(263)
Net claims incurred	(69)	(2,653)	(2,722)
Policy acquisition costs	(1,555)	-	(1,555)
Supervision and inspection fees	(231)	(197)	(428)
<b>Total claims and expenses</b>	<b>(1,855)</b>	<b>(2,850)</b>	<b>(4,705)</b>
<b>Underwriting surplus for the period</b>	<b>5,136</b>	<b>19,462</b>	<b>24,598</b>
General and administrative expenses			(4,994)
Investment income			842
Other income			6,680
<b>SURPLUS FOR THE PERIOD FROM INSURANCE OPERATIONS</b>			<b>27,126</b>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 December 2017

15. SEGMENT INFORMATION (continued)

	<i>For the twelve-month period ended 31 December 2016 (Unaudited)</i>		
	<i>Individual SR '000</i>	<i>Group SR '000</i>	<i>Total SR '000</i>
<b>INSURANCE REVENUE</b>			
Gross written contributions	45,491	37,164	82,655
Investible contributions, net	(37,480)	-	(37,480)
Net insurance contributions	8,011	37,164	45,175
Contributions ceded	(1,088)	(14,199)	(15,287)
Net written contributions	6,923	22,965	29,888
Change in unearned contributions, net	-	(2,252)	(2,252)
Change in mathematical reserve	(626)	-	(626)
<b>Net insurance revenue</b>	<b>6,297</b>	<b>20,713</b>	<b>27,010</b>
<b>CLAIMS AND EXPENSES</b>			
Gross claims paid	-	(9,378)	(9,378)
Reinsurance share of claims paid	-	7,615	7,615
Net claims paid	-	(1,763)	(1,763)
Change in outstanding claims including IBNR, net	(70)	(1,117)	(1,187)
Net claims incurred	(70)	(2,880)	(2,950)
Policy acquisition costs	(2,095)	-	(2,095)
Supervision and inspection fees	(195)	(186)	(381)
<b>Total claims and expenses</b>	<b>(2,360)</b>	<b>(3,066)</b>	<b>(5,426)</b>
<b>Underwriting surplus for the period</b>	<b>3,937</b>	<b>17,647</b>	<b>21,584</b>
General and administrative expenses			(5,032)
Investment income			1,203
Other income			3,770
<b>SURPLUS FOR THE PERIOD FROM INSURANCE OPERATIONS</b>			<b>21,525</b>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)  
At 31 December 2017

15. SEGMENT INFORMATION (continued)

	As at 31 December 2017 (Unaudited)		
	Individual SR'000	Group SR'000	Total SR'000
<b>INSURANCE OPERATIONS' ASSETS</b>			
Available-for-sale investments held to cover unit link liabilities	106,626	-	106,626
Contributions receivable, net	-	203	203
Reinsurance share of unearned contributions	-	7,261	7,261
Reinsurance share of outstanding claims including IBNR	-	15,586	15,586
	<u>106,626</u>	<u>23,050</u>	<u>129,676</u>
Unallocated assets:			
Cash and cash equivalents			46,814
Held-to-maturity investments			15,001
Due from a related party			5,432
Prepayments and other receivables			708
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>			<u><u>197,631</u></u>
<b>INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>			
Unit reserve	107,177	-	107,177
Mathematical reserve	958	-	958
Unearned contributions	-	18,342	18,342
Outstanding claims including IBNR	-	21,239	21,239
Advance contributions	421	-	421
Contributions deposit	765	-	765
Reinsurance balances payable	185	7,780	7,965
	<u>109,506</u>	<u>47,361</u>	<u>156,867</u>
Unallocated liabilities and surplus:			
Accrued expenses and other liabilities			11,603
Due to shareholders' operations			24,488
Employees' end of service benefits			1,960
Surplus from insurance operations			2,713
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>			<u><u>197,631</u></u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

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15. SEGMENT INFORMATION (continued)

	As at 31 December 2016 (Audited)		
	Individual SR'000	Group SR'000	Total SR'000
<b>INSURANCE OPERATIONS' ASSETS</b>			
Available-for-sale investments held to cover unit link liabilities	69,953	-	69,953
Contributions receivable, net	-	222	222
Reinsurance share of unearned contributions	-	6,912	6,912
Reinsurance share of outstanding claims including IBNR	30	11,979	12,009
	<u>69,983</u>	<u>19,113</u>	<u>89,096</u>
Unallocated assets:			
Cash and cash equivalents			58,984
Due from a related party			3,665
Prepayments and other receivables			288
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>			<u><u>152,033</u></u>
<b>INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>			
Unit reserve	70,282	-	70,282
Mathematical reserve	871	-	871
Unearned contributions	-	17,893	17,893
Outstanding claims including IBNR	30	17,369	17,399
Advance contributions	386	-	386
Contributions deposit	459	-	459
Reinsurance balances payable	277	10,892	11,169
	<u>72,305</u>	<u>46,154</u>	<u>118,459</u>
Unallocated liabilities and surplus:			
Accrued expenses and other liabilities			9,673
Due to shareholders' operations			19,825
Employees' end of service benefits			1,924
Surplus from insurance operations			2,152
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>			<u><u>152,033</u></u>

16. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Chairman of the Board of Directors on behalf of the Board of Directors on 11 February 2018, corresponding to 25 Jumada I 1439H.