

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

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH AND SIX-MONTH
PERIODS ENDED 30 JUNE 2018**

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 June 2018

INDEX	PAGE
Independent Auditors' Review Report	1
Interim Statement of Financial Position	2
Interim Statement of Income	3 – 4
Interim Statement of Comprehensive Income	5
Interim Statement of Changes in Shareholders' Equity	6
Interim Statement of Cash Flows	7
Notes to the Interim Condensed Financial Statements	8 – 30



Al-Bassam & Co.
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Kingdom of Saudi Arabia



Building a better
working world

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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 30 June 2018 and the related interim statements of income, comprehensive income for the three-month and six-month periods then ended and the related interim statements of changes in shareholders' equity and cash flows for the six-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" 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.

PKF Al-Bassam & Co.
Allied Accountants

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



for Ernst & Young

Hussain Saleh Asiri

Hussain Saleh Asiri
Certified Public Accountant
License No. 414

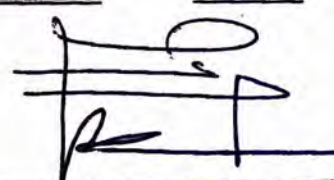


Jeddah, Kingdom of Saudi Arabia
20 Dhu al-Qaada 1439 H
Corresponding to 2 August 2018

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

		30 June 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
ASSETS	Notes		
Cash and cash equivalents	4	46,092	53,262
Contributions receivable, net	5	465	203
Reinsurers' share of unearned contributions	10	1,974	7,261
Reinsurers' share of outstanding claims	11	9,658	10,685
Reinsurers' share of claims incurred but not reported	11	4,818	4,901
Available-for-sale investments held to cover unit-linked liabilities	6	125,017	106,626
Investments	7	324,792	344,286
Due from a related party	12 (b)	10,733	5,432
Prepayments and other assets		675	754
Furniture and fixtures		249	-
Statutory deposit		35,000	35,000
TOTAL ASSETS		559,473	568,410
LIABILITIES			
Accrued expenses and other liabilities		16,224	15,489
Reinsurance balances payable		4,974	7,965
Unearned contributions	10	4,643	18,342
Outstanding claims	11	11,908	12,901
Claims incurred but not reported	11	7,510	8,338
Unit reserve	8	126,578	107,177
Mathematical reserve	9	900	958
End-of-service indemnities		1,912	1,960
Zakat and income tax	13	472	1,023
Surplus from Insurance Operations		3,885	2,713
TOTAL LIABILITIES		179,006	176,866
SHAREHOLDERS' EQUITY			
Share capital		350,000	350,000
Statutory reserve		16,885	16,885
Retained earnings		13,582	24,659
TOTAL SHAREHOLDERS' EQUITY		380,467	391,544
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		559,473	568,410


Chairman


Managing Director


Chief Financial Officer


The accompanying notes 1 to 20 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 and six-month periods ended 30 June 2018

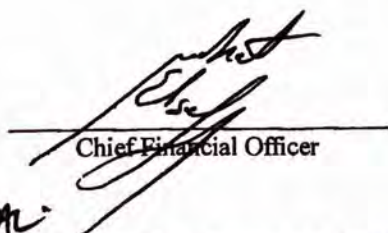
	<i>Three-month period ended</i> <i>30 June</i>		<i>Six-month period ended</i> <i>30 June</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
REVENUE				
Gross written contributions	16,166	31,876	30,608	45,023
Contributions ceded:				
Local	-	(6)	-	(11)
Foreign	(1,651)	(9,834)	(2,096)	(10,705)
Net written contributions	14,515	22,036	28,512	34,307
Change in unearned contributions, net	3,257	(4,376)	8,412	602
Net contribution earned	17,772	17,660	36,924	34,909
Other underwriting income	193	1,325	654	1,837
TOTAL REVENUES	17,965	18,985	37,578	36,746
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	(2,177)	(1,594)	(5,700)	(8,625)
Reinsurers' share of claims paid	1,691	1,216	4,520	7,583
Net claims paid	(486)	(378)	(1,180)	(1,042)
Changes in outstanding claims, net	44	(28)	(34)	(56)
Changes in claims incurred but not reported, net	214	(27)	745	(15)
Net claims incurred	(228)	(433)	(469)	(1,113)
Investible contributions, net	(10,867)	(9,028)	(22,553)	(18,963)
Change in mathematical reserve	18	(64)	58	(51)
Policy acquisition costs	(316)	(400)	(635)	(789)
Supervision and inspection fees	(81)	(159)	(153)	(225)
TOTAL UNDERWRITING COSTS AND EXPENSES	(11,474)	(10,084)	(23,752)	(21,141)
NET UNDERWRITING INCOME	6,491	8,901	13,826	15,605



Chairman



Managing Director



Chief Financial Officer

The accompanying notes 1 to 20 form an integral part of these interim condensed financial statements.

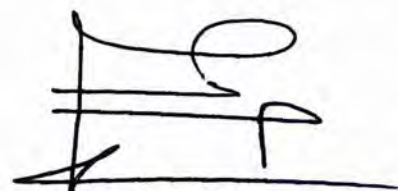
ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INCOME (UNAUDITED) (continued)
For the three-month and six-month periods ended 30 June 2018

		Three-month period ended 30 June		Six-month period ended 30 June	
	Notes	2018 SR'000	2017 SR'000	2018 SR'000	2017 SR'000
OTHER OPERATING (EXPENSES)/INCOME					
(Additions to)/reversal of doubtful debts allowance		(8)	1	(35)	(9)
General and administrative expenses		(2,166)	(1,955)	(4,290)	(3,695)
Commission from held-to-maturity investments	12(a)	2,441	2,275	4,857	4,525
Commission income on deposits		206	181	410	476
Unrealized gain on FVIS investments		31	90	121	274
Realized gain on FVIS investments	7.3	28	-	28	-
Dividend		-	39	8	39
Other income		27	123	99	316
TOTAL OTHER OPERATING INCOME, NET		559	754	1,198	1,926
Net income for the period		7,050	9,655	15,024	17,531
Net income attributed to the insurance operations		(540)	(782)	(1,172)	(1,378)
Net income for the period attributable to the shareholders		6,510	8,873	13,852	16,153
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)		0.186	0.253	0.396	0.461



Chairman



Managing Director

Chief Financial Officer

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The accompanying notes 1 to 20 form an integral part of these interim condensed financial statements.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

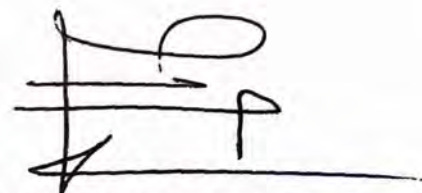
INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three-month and six-month periods ended 30 June 2018

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS	6,510	8,873	13,852	16,153
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	6,510	8,873	13,852	16,153



Chairman



Managing Director



Chief Financial Officer

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The accompanying notes 1 to 20 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 six-month period ended 30 June 2018

	<i>Share capital SR'000</i>	<i>Statutory reserve SR'000</i>	<i>Retained earnings SR'000</i>	<i>Total SR'000</i>
Balance as at 31 December 2017 (Audited)	350,000	16,885	24,659	391,544
Net income for the period	-	-	13,852	13,852
Other comprehensive income	-	-	-	-
Dividend (note 18)	-	-	13,852	13,852
Zakat for the period (note 13)	-	-	(24,500)	(24,500)
Income tax for the period (note 13)	-	-	(368)	(368)
	-	-	(61)	(61)
Balance as at 30 June 2018 (Unaudited)	350,000	16,885	13,582	380,467

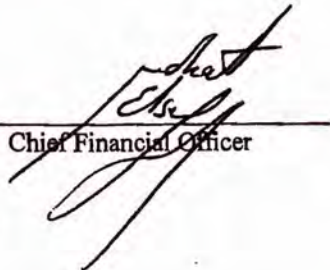
	<i>Share capital SR'000</i>	<i>Statutory reserve SR'000</i>	<i>Retained earnings SR'000</i>	<i>Total SR'000</i>
Balance as at 31 December 2016 (Audited)	350,000	10,671	18,193	378,864
Net income for the period	-	-	16,153	16,153
Other comprehensive income	-	-	-	-
Dividend (note 18)	-	-	16,153	16,153
Zakat for the period (note 13)	-	-	(17,500)	(17,500)
Income tax for the period (note 13)	-	-	(905)	(905)
	-	-	(72)	(72)
Balance as at 30 June 2017 (Unaudited)	350,000	10,671	15,869	376,540



Chairman



Managing Director



Chief Financial Officer

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

INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the six-month period ended 30 June 2018

	Notes	2018 SR'000	2017 SR'000
OPERATING ACTIVITIES			
Net income for the period attributable to the shareholders		13,852	16,153
Adjustments for the period:			
Net income attributed to the insurance operations		1,172	1,378
Reinsurers' share of unearned contributions		5,287	(2,816)
Unearned contributions		(13,699)	2,214
Allowance for doubtful receivables		35	9
Commission from held-to-maturity investments		(4,857)	(4,525)
Unrealised gain on FVIS investments		(121)	(274)
Realised gain on FVIS investments		(28)	-
Depreciation		18	-
End-of-service indemnities		663	402
		<u>2,322</u>	<u>12,541</u>
Changes in operating assets and liabilities:			
Contributions receivable		(297)	(17,880)
Reinsurers' share of outstanding claims		1,027	3,540
Reinsurers' share of claims incurred but not reported		83	46
Available-for-sale investments held to cover unit-linked liabilities, net		(18,391)	(18,332)
Due from a related party		(5,301)	(493)
Prepayments and other receivables		79	(733)
Accrued expenses and other liabilities		735	(1,170)
Reinsurers' balances payable		(2,991)	(261)
Outstanding claims		(993)	(3,483)
Claims incurred but not reported		(828)	(31)
Unit reserve		19,401	19,205
Mathematical reserve		(58)	51
		<u>(5,212)</u>	<u>(7,000)</u>
Cash used in operations		(980)	(1,196)
Zakat and income tax paid		(711)	(66)
End-of-service indemnities paid			
		<u>(6,903)</u>	<u>(8,262)</u>
Net cash used in operating activities			
INVESTING ACTIVITIES			
Proceeds from disposal of FVIS investments	7.3	24,500	-
Purchase of furniture and fixtures		(267)	-
		<u>24,233</u>	<u>-</u>
Net cash from investing activities			
FINANCING ACTIVITY			
Dividend paid	18	(24,500)	(17,500)
		<u>(24,500)</u>	<u>(17,500)</u>
Net cash used in financing activity			
Net decrease in cash and cash equivalents		<u>(7,170)</u>	<u>(25,762)</u>
Cash and cash equivalents at the beginning of the period		53,262	81,877
Cash and cash equivalents at the end of the period		<u>46,092</u>	<u>56,115</u>

Chairman

Chief Financial Officer

Managing Director

The accompanying notes 1 to 20 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 30 June 2018

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 99.60% by Saudi founding shareholders and general public subject to zakat and 0.4% 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. Similarly, in the past, the Company's interim condensed and annual financial statements presented separately the statements of financial position, income, comprehensive income and cash flows for the insurance operations and shareholders operations.

During 2018, SAMA issued an illustrative financial statements for the insurance sector in the Kingdom of Saudi Arabia. Following the illustrative financial statements, the Company issued these interim condensed financial statements after combining shareholders and insurance operations to prepare the Company level interim condensed financial statements. In preparing the Company level financial statements in compliance with IFRS, the balances and transactions of the insurance operations are combined with those of the shareholders' operations. Interoperation balances, transactions and unrealised gains or losses, if any, are eliminated in full. The accounting policies adopted for the insurance operations and shareholders operations are uniform for like transactions and events in similar circumstances.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2018

2. BASIS OF PREPARATION (continued)

a) Basis of presentation (continued)

In preparing these interim condensed financial statements, comparative amounts, which in the most recent annual financial statements were presented separately for shareholders and insurance operations, were also combined together to conform with the current period presentation and SAMA requirements.

However, note 17 to these interim condensed financial statements provide statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders operations, separately.

The interim condensed financial information do not include all of the information required for full annual financial information and should be read in conjunction with the annual financial information as of and for the year ended 31 December 2017.

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 2017.

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 2017 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. 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.

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 2	Amendments to IFRS 2 Classification and Measurement of share-based Payment transactions.
IAS 40	Amendments to IAS 40 Transfers of investment property
IFRIC 22	Foreign Currency Transactions and Advance consideration
IFRS 15	Revenue from Contracts with Customers (refer below)
IFRS 1 and IAS 28	Annual Improvements 2016 to IFRS 2014- 2016 cycle.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) *New IFRS, IFRIC and amendments thereof, adopted by the Company (continued)*

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRSs. However, IFRS 15 does not apply to “revenue from insurance contracts”. However, entities will need to apply IFRS 15 to non-insurance contracts (or components of insurance contracts). Therefore, insurance entities will need to carefully evaluate the scope of this standard.

IFRS 15 established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring of goods or services to a customer.

Though there are changes in accounting policy, the management assessed and concluded that there is no material impact on the amounts reported at transition to IFRS 15 on 1 January 2018.

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

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 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
IFRS 17	Insurance Contracts (note below)	1 January 2021

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.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

Under the temporary exemption as introduced by amendments to IFRS 4, the reporting entities whose activities predominantly relate to "insurance" can defer the implementation of IFRS 9. The Company having assessed the implications and has concluded to defer the implementation of IFRS 9 until a later date which will not be later than 1 January 2021.

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

4. CASH AND CASH EQUIVALENTS

	<i>30 June 2018 (Unaudited) SR'000</i>	<i>31 December 2017 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Cash at bank	6,823	6,814
Murabaha deposits	35,000	40,000
	<u>41,823</u>	<u>46,814</u>
<i>Shareholders' Operations</i>		
Cash at bank	4,269	4,648
Murabaha deposits	-	1,800
	<u>4,269</u>	<u>6,448</u>
	<u><u>46,092</u></u>	<u><u>53,262</u></u>

Cash at bank and Murabaha deposits, except for an amount SR 0.5 million (31 December 2017: SR 0.5 million) are held with a founding shareholder.

5. CONTRIBUTIONS RECEIVABLE, NET

	<i>30 June 2018 (Unaudited) SR'000</i>	<i>31 December 2017 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Gross contributions receivable	500	203
Allowance for doubtful receivables	(35)	-
	<u>465</u>	<u>203</u>
Contributions receivable, net	<u><u>465</u></u>	<u><u>203</u></u>

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2018

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

	<i>Initial cost value SR'000</i>	<i>Change in fair value SR'000</i>	<i>30 June 2018 (Unaudited) SR'000</i>
Insurance Operations			
Al – Qawafel Fund	600	5	605
Al Jazira Diversified Aggressive Fund	94,218	4,305	98,523
Al Jazira Diversified Balanced Fund	22,125	605	22,730
Al Jazira Diversified Conservative Fund	3,110	49	3,159
	<u>120,053</u>	<u>4,964</u>	<u>125,017</u>
	<i>Initial cost value SR'000</i>	<i>Change in fair value SR'000</i>	<i>31 December 2017 (Audited) SR'000</i>
Insurance Operations			
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>

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

The carrying value and the fair value of the investments are same.

7. INVESTMENTS

	<i>30 June 2018 (Unaudited) SR'000</i>	<i>31 December 2017 (Audited) SR'000</i>
Held to maturity investments		
Insurance operations (note 7.1)	15,226	15,001
Shareholders operations (note 7.2)	302,217	297,585
	<u>317,443</u>	<u>312,586</u>
FVIS investments		
Shareholders operations (note 7.3)	7,349	31,700
	<u>324,792</u>	<u>344,286</u>

7.1 Insurance Operations - Held-to-maturity investments

Held-to-maturity investments of Insurance Operations represent murabaha deposit with a maturity of three years made with a founding shareholder. The average commission rate on this investment at 30 June 2018 is 3% (31 December 2017: 2.85%) per annum. This investment will mature in 2021.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2018

7. INVESTMENTS (continued)

7.1 Insurance Operations - Held-to-maturity investments (continued)

The movement in the held to maturity investments during the six-month period ended 30 June 2018 and year ended 31 December 2017 is as follows:

	30 June 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
Insurance Operations		
Balance at the beginning of the period/year	15,001	-
Purchases	-	15,000
Commission from held-to-maturity investments	225	1
Balance at the end of the period/year	15,226	15,001

7.2 Shareholders' Operations - Held-to-maturity investments

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 30 June 2018 is 3% to 3.2% per annum (31 December 2017: 2.85% to 3.2% per annum). These investments will mature in 2020 and 2021.

The movement in the held to maturity investments during the six-month period ended 30 June 2018 and year ended 31 December 2017 is as follows:

	30 June 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
Shareholders' Operations		
Balance at the beginning of the period/year	297,585	272,900
Purchases	-	295,000
Maturity	-	(279,166)
Commission from held-to-maturity investments	4,632	8,851
Balance at the end of the period/year	302,217	297,585

7.3 Shareholders' Operations - 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 6,882 thousand (31 December 2017: SR 31,145 thousand), and investment in shares of companies listed on Tadawul, amounting to SR 467 thousand (31 December 2017: SR 555 thousand).

Movement in these investments during the six-month period ended 30 June 2018 and year ended 31 December 2017 is as follows:

	30 June 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
Balance at beginning of the period/year	31,700	31,206
Disposals during the period	(24,472)	-
Changes in fair value during the period/year	121	494
Balance at end of the period/year	7,349	31,700

The carrying value and the fair value of the investments are same.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2018

8. UNIT RESERVE

	<i>Six month period ended 30 June 2018 (Unaudited) SR'000</i>	<i>Year ended 31 December 2017 (Audited) SR'000</i>
Balance at beginning of the period/year	107,177	70,282
Investible contributions	22,553	38,531
Surrenders	(8,116)	(13,532)
Change in fair value of available-for-sale investments (note 6)	4,964	11,896
Balance at the end of the period/year	<u>126,578</u>	<u>107,177</u>

9. MATHEMATICAL RESERVE

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

	<i>Six month period ended 30 June 2018 (Unaudited) SR'000</i>	<i>Year ended 31 December 2017 (Audited) SR'000</i>
Balance at beginning of the period/year	958	871
Change in mathematical reserve, net	(58)	87
Balance at the end of the period/year	<u>900</u>	<u>958</u>

10. MOVEMENT IN UNEARNED CONTRIBUTION

	<i>Six-month period ended 30 June 2018 (Unaudited)</i>			<i>Year ended 31 December 2017 (Audited)</i>		
	<i>Gross SR'000</i>	<i>Reinsurers' share SR'000</i>	<i>Net SR'000</i>	<i>Gross SR'000</i>	<i>Reinsurers' share SR'000</i>	<i>Net SR'000</i>
Balance at beginning of the period/year	18,342	(7,261)	11,081	17,893	(6,912)	10,981
Contributions written/(ceded) during the period/year	30,608	(2,096)	28,512	85,620	(17,599)	68,021
	<u>48,950</u>	<u>(9,357)</u>	<u>39,593</u>	<u>103,513</u>	<u>(24,511)</u>	<u>79,002</u>
Investible contributions and contributions earned during the period/year	(44,307)	7,383	(36,924)	(85,171)	17,250	(67,921)
Balance at the end of the period/year	<u>4,643</u>	<u>(1,974)</u>	<u>2,669</u>	<u>18,342</u>	<u>(7,261)</u>	<u>11,081</u>

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2018

11. OUTSTANDING CLAIMS

	<i>Six-month period ended 30 June 2018 (Unaudited)</i>		
	<i>Gross</i>	<i>Reinsurers' share</i>	<i>Net</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Outstanding claims	11,908	(9,658)	2,250
Claims incurred but not reported (IBNR)	7,510	(4,818)	2,692
Total outstanding claims	19,418	(14,476)	4,942

	<i>Year ended 31 December 2017 (Audited)</i>		
	<i>Gross</i>	<i>Reinsurers' share</i>	<i>Net</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Outstanding claims	12,901	(10,685)	2,216
Claims incurred but not reported (IBNR)	8,338	(4,901)	3,437
Total outstanding claims	21,239	(15,586)	5,653

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 six-month period ended:

<u>Related party</u>	<u>Nature of transaction</u>	<u>Amount of transaction</u>	
		<u>Six-month period ended</u>	
		<i>30 June 2018 (Unaudited) SR'000</i>	<i>30 June 2017 (Unaudited) SR'000</i>
<i>Bank Al Jazira</i>	Commission earned from held-to-maturity investment	4,857	4,525
	Commission income on deposits	410	401
	Gross written contribution	3,076	21,336
	Claims paid	5,493	8,182
<i>Founding shareholders</i>	Dividends paid	17,150	12,250
<i>AlJazira Capital</i>	Profit earned on mutual funds	209	304
<i>Board of directors & committee members</i>	Gross written contribution	26	23
<i>Key management personnel</i>	Salaries, benefits and allowances, net	573	672
	Gross contribution written	3	13

- 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 122 thousand (31 December 2017: SR nil) from Bank Al Jazira (founding shareholder).

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2018

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 six-month period ended 30 June 2018 and year ended 31 December 2017 is as follows:

	<i>30 June 2018 (Unaudited) SR'000</i>	<i>31 December 2017 (Audited) SR'000</i>
a) Zakat		
Balance at the beginning of period/year	895	1,217
Zakat for the period/year	368	762
Zakat paid during the period/year	(842)	(1,084)
Balance at the end of the period/year	<u>421</u>	<u>895</u>
	<i>30 June 2018 (Unaudited) SR'000</i>	<i>31 December 2017 (Audited) SR'000</i>
b) Income tax		
Balance at the beginning of period/year	128	113
Income tax for the period/year	61	127
Income tax paid during the period/year	(138)	(112)
Balance at the end of the period/year	<u>51</u>	<u>128</u>
Total zakat and income tax	<u>472</u>	<u>1,023</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 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 and its financial liabilities consist of other liabilities, reinsurance balances payable and outstanding claims. The fair values of financial instruments are not materially different from their carrying values. As at 30 June 2018, 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.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2018

15. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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 30 June 2018 and 31 December 2017, all financial instruments which are fair valued are Level 1 instruments (2017: 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 programmes 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 segments and are monitored on a centralized basis.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2018

16. OPERATING SEGMENT INFORMATION (continued)

	<i>As at 30 June 2018 (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	-	465	465
Reinsurers' share of unearned contributions	-	1,974	1,974
Reinsurers' share of outstanding claims	24	9,634	9,658
Reinsurers' share of claims incurred but not reported	-	4,818	4,818
Available-for-sale investments held to cover unit link liabilities	125,017	-	125,017
	<u>125,041</u>	<u>16,891</u>	<u>141,932</u>
Unallocated assets:			
Cash and cash equivalents			46,092
Investments			324,792
Due from a related party			10,733
Prepayments and other receivables			675
Furniture and fixtures			249
Statutory deposit			35,000
TOTAL ASSETS			<u><u>559,473</u></u>
LIABILITIES			
Reinsurers' balances payable	393	4,581	4,974
Unearned contributions	-	4,643	4,643
Outstanding claims	81	11,827	11,908
Claims incurred but not reported	-	7,510	7,510
Unit reserve	126,578	-	126,578
Mathematical reserve	900	-	900
	<u>127,952</u>	<u>28,561</u>	<u>156,513</u>
Unallocated liabilities and surplus:			
Accrued expenses and other liabilities			16,224
End-of-service indemnities			1,912
Zakat and income tax			472
Surplus from Insurance Operations			3,885
TOTAL LIABILITIES			<u><u>179,006</u></u>
SHAREHOLDERS' EQUITY			
Share capital			350,000
Statutory reserve			16,885
Retained earnings			13,582
TOTAL SHAREHOLDERS' EQUITY			<u><u>380,467</u></u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			<u><u>559,473</u></u>

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2018

16. OPERATING SEGMENT INFORMATION (continued)

	<i>For the three-month period ended 30 June 2018 (Unaudited)</i>		
	<i>Individual SR'000</i>	<i>Group SR'000</i>	<i>Total SR'000</i>
REVENUE			
Gross written contributions	12,979	3,187	16,166
Contributions ceded:			
Local	-	-	-
Foreign	(200)	(1,451)	(1,651)
Net written contributions	12,779	1,736	14,515
Change in unearned contributions, net	-	3,257	3,257
Net contribution earned	12,779	4,993	17,772
Other underwriting income	193	-	193
TOTAL REVENUES	12,972	4,993	17,965
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	-	(2,177)	(2,177)
Reinsurance share of claims paid	-	1,691	1,691
Net claims paid	-	(486)	(486)
Changes in outstanding claims, net	(57)	101	44
Changes in IBNR, net	-	214	214
Net claims incurred	(57)	(171)	(228)
Investible contributions, net	(10,867)	-	(10,867)
Change in mathematical reserve	18	-	18
Policy acquisition costs	(316)	-	(316)
Supervision and inspection fees	(65)	(16)	(81)
TOTAL UNDERWRITING COSTS AND EXPENSES	(11,287)	(187)	(11,474)
NET UNDERWRITING INCOME	1,685	4,806	6,491
OTHER OPERATING (EXPENSES)/ INCOME			
Additions to doubtful debts allowance	-	(8)	(8)
General and administrative expenses	-	-	(2,166)
Commission from held-to-maturity Investments	-	-	2,441
Commission income on deposits	-	-	206
Unrealized gain on FVIS investments	-	-	31
Realized gain on FVIS investments	-	-	28
Dividend	-	-	-
Other income	-	-	27
TOTAL OTHER OPERATING INCOME, NET			559
Net income for the period			7,050
Net income attributed to the insurance operations			(540)
Net income for the period attributable to the shareholders			6,510

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2018

16. OPERATING SEGMENT INFORMATION (continued)

	<i>For the three-month period ended 30 June 2017 (Unaudited)</i>		
	<i>Individual SR'000</i>	<i>Group SR'000</i>	<i>Total SR'000</i>
REVENUE			
Gross written contributions	10,938	20,938	31,876
Contributions ceded:			
Local	-	(6)	(6)
Foreign	(170)	(9,664)	(9,834)
Net written contributions	10,768	11,268	22,036
Change in unearned contributions, net	-	(4,376)	(4,376)
Net contribution earned	10,768	6,892	17,660
Other underwriting income	1,325	-	1,325
TOTAL REVENUES	12,093	6,892	18,985
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	-	(1,594)	(1,594)
Reinsurance share of claims paid	-	1,216	1,216
Net claims paid	-	(378)	(378)
Changes in outstanding claims, net	-	(28)	(28)
Changes in IBNR, net	-	(27)	(27)
Net claims incurred	-	(433)	(433)
Investible contributions, net	(9,028)	-	(9,028)
Change in mathematical reserve	(64)	-	(64)
Policy acquisition costs	(400)	-	(400)
Supervision and inspection fees	(55)	(104)	(159)
TOTAL UNDERWRITING COSTS AND EXPENSES	(9,547)	(537)	(10,084)
NET UNDERWRITING INCOME	2,546	6,355	8,901
OTHER OPERATING (EXPENSES)/ INCOME			
Reversal of doubtful debts allowance	-	1	1
General and administrative expenses	-	-	(1,955)
Commission from held-to-maturity Investments	-	-	2,275
Commission income on deposits	-	-	181
Unrealized gain on FVIS investments	-	-	90
Dividend	-	-	39
Other income	-	-	123
TOTAL OTHER OPERATING INCOME, NET			754
Net income for the period			9,655
Net income attributed to the insurance operations			(782)
Net income for the period attributable to the shareholders			8,873

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2018

16. OPERATING SEGMENT INFORMATION (continued)

	<i>For the six-month period ended 30 June 2018 (Unaudited)</i>		
	<i>Individual SR'000</i>	<i>Group SR'000</i>	<i>Total SR'000</i>
REVENUE			
Gross written contributions	26,824	3,784	30,608
Contributions ceded:			
Local	-	-	-
Foreign	(393)	(1,703)	(2,096)
Net written contributions	26,431	2,081	28,512
Change in unearned contributions, net	-	8,412	8,412
Net contribution earned	26,431	10,493	36,924
Other underwriting income	654	-	654
TOTAL REVENUES	27,085	10,493	37,578
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	-	(5,700)	(5,700)
Reinsurance share of claims paid	-	4,520	4,520
Net claims paid	-	(1,180)	(1,180)
Changes in outstanding claims, net	(57)	23	(34)
Changes in IBNR, net	-	745	745
Net claims incurred	(57)	(412)	(469)
Investible contributions, net	(22,553)	-	(22,553)
Change in mathematical reserve	58	-	58
Policy acquisition costs	(635)	-	(635)
Supervision and inspection fees	(134)	(19)	(153)
TOTAL UNDERWRITING COSTS AND EXPENSES	(23,321)	(431)	(23,752)
NET UNDERWRITING INCOME	3,764	10,062	13,826
OTHER OPERATING (EXPENSES)/ INCOME			
Additions to doubtful debts allowance	-	(35)	(35)
General and administrative expenses	-	-	(4,290)
Commission from held-to-maturity Investments	-	-	4,857
Commission income on deposits	-	-	410
Unrealized gain on FVIS investments	-	-	121
Realized gain on FVIS investments	-	-	28
Dividend	-	-	8
Other income	-	-	99
TOTAL OTHER OPERATING INCOME, NET			1,198
Net income for the period			15,024
Net income attributed to the insurance operations			(1,172)
Net income for the period attributable to the shareholders			13,852

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2018

16. OPERATING SEGMENT INFORMATION (continued)

*For the six-month period ended
30 June 2017 (Unaudited)*

	<i>Individual</i>	<i>Group</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
REVENUE			
Gross written contributions	22,932	22,091	45,023
Contributions ceded:			
Local	-	(11)	(11)
Foreign	(334)	(10,371)	(10,705)
Net written contributions	22,598	11,709	34,307
Change in unearned contributions, net	-	602	602
Net contribution earned	22,598	12,311	34,909
Other underwriting income	1,837	-	1,837
TOTAL REVENUES	24,435	12,311	36,746
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(98)	(8,527)	(8,625)
Reinsurance share of claims paid	29	7,554	7,583
Net claims paid	(69)	(973)	(1,042)
Changes in outstanding claims, net	-	(56)	(56)
Changes in IBNR, net	-	(15)	(15)
Net claims incurred	(69)	(1,044)	(1,113)
Investible contributions, net	(18,963)	-	(18,963)
Change in mathematical reserve	(51)	-	(51)
Policy acquisition costs	(789)	-	(789)
Supervision and inspection fees	(115)	(110)	(225)
TOTAL UNDERWRITING COSTS AND EXPENSES	(19,987)	(1,154)	(21,141)
NET UNDERWRITING INCOME	4,448	11,157	15,605
OTHER OPERATING (EXPENSES)/ INCOME			
Additions to doubtful debts allowance	-	(9)	(9)
General and administrative expenses	-	-	(3,695)
Commission from held-to-maturity Investments	-	-	4,525
Commission income on deposits	-	-	476
Unrealized gain on FVIS investments	-	-	274
Dividend	-	-	39
Other income	-	-	316
TOTAL OTHER OPERATING INCOME, NET			1,926
Net income for the period			17,531
Net income attributed to the insurance operations			(1,378)
Net income for the period attributable to the shareholders			16,153

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2018

17. SUPPLEMENTRY INFORMATION

a) INTERIM STATEMENT OF FINANCIAL POSITION

	<i>Insurance operations SR'000</i>	<i>Shareholders' operations SR'000</i>	<i>30 June 2018 (Unaudited) SR'000</i>	<i>Insurance operations SR'000</i>	<i>Shareholders' operations SR'000</i>	<i>31 December 2017 (Audited) SR'000</i>
ASSETS						
Cash and cash equivalents	41,823	4,269	46,092	46,814	6,448	53,262
Contributions receivable, net	465	-	465	203	-	203
Reinsurers' share of unearned contributions	1,974	-	1,974	7,261	-	7,261
Reinsurers' share of outstanding claims	9,658	-	9,658	10,685	-	10,685
Reinsurers' share of claims incurred but not reported	4,818	-	4,818	4,901	-	4,901
Available-for-sale investments held to cover unit-linked liabilities	125,017	-	125,017	106,626	-	106,626
Investments	15,227	309,565	324,792	15,001	329,285	344,286
Due from a related party	10,733	-	10,733	5,432	-	5,432
Prepayments and other receivables	669	6	675	708	46	754
Due from Insurance Operations	-	34,775	34,775	-	24,488	24,488
Furniture and fixtures	249	-	249	-	-	-
Statutory deposit	-	35,000	35,000	-	35,000	35,000
	<u>210,633</u>	<u>383,615</u>	<u>594,248</u>	<u>197,631</u>	<u>395,267</u>	<u>592,898</u>
Less: Inter-operations eliminations	-	(34,775)	(34,775)	-	(24,488)	(24,488)
TOTAL ASSETS	<u>210,633</u>	<u>348,840</u>	<u>559,473</u>	<u>197,631</u>	<u>370,779</u>	<u>568,410</u>
LIABILITIES						
Accrued expenses and other liabilities	13,548	2,676	16,224	12,789	2,700	15,489
Reinsurers' balances payable	4,974	-	4,974	7,965	-	7,965
Unearned contributions	4,643	-	4,643	18,342	-	18,342
Outstanding claims	11,908	-	11,908	12,901	-	12,901
Claims incurred but not reported	7,510	-	7,510	8,338	-	8,338
Unit reserve	126,578	-	126,578	107,177	-	107,177
Mathematical reserve	900	-	900	958	-	958
End-of-service indemnities	1,912	-	1,912	1,960	-	1,960
Zakat and income tax	-	472	472	-	1,023	1,023
Due to Shareholders' Operations	34,775	-	34,775	24,488	-	24,488
Surplus from Insurance Operations	3,885	-	3,885	2,713	-	2,713
	<u>210,633</u>	<u>3,148</u>	<u>213,781</u>	<u>197,631</u>	<u>3,723</u>	<u>201,354</u>
Less: Inter-operations eliminations	(34,775)	-	(34,775)	(24,488)	-	(24,488)
TOTAL LIABILITIES	<u>175,858</u>	<u>3,148</u>	<u>179,006</u>	<u>173,143</u>	<u>3,723</u>	<u>176,866</u>
SHAREHOLDERS' EQUITY						
Share capital	-	350,000	350,000	-	350,000	350,000
Statutory reserve	-	16,885	16,885	-	16,885	16,885
Retained earnings	-	13,582	13,582	-	24,659	24,659
TOTAL SHAREHOLDERS' EQUITY	<u>-</u>	<u>380,467</u>	<u>380,467</u>	<u>-</u>	<u>391,544</u>	<u>391,544</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>175,858</u>	<u>383,615</u>	<u>559,473</u>	<u>173,143</u>	<u>395,267</u>	<u>568,410</u>

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2018

17. SUPPLEMENTRY INFORMATION (continued)

b) INTERIM STATEMENT OF INCOME

	<i>Three-month period ended 30 June (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2018</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2017</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	16,166	-	16,166	31,876	-	31,876
Contributions ceded:						
Local	-	-	-	(6)	-	(6)
Foreign	(1,651)	-	(1,651)	(9,834)	-	(9,834)
Net written contributions	14,515	-	14,515	22,036	-	22,036
Change in unearned contributions, net	3,257	-	3,257	(4,376)	-	(4,376)
Net contribution earned	17,772	-	17,772	17,660	-	17,660
Other underwriting income	193	-	193	1,325	-	1,325
TOTAL REVENUES	17,965	-	17,965	18,985	-	18,985
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(2,177)	-	(2,177)	(1,594)	-	(1,594)
Reinsurance share of claims paid	1,691	-	1,691	1,216	-	1,216
Net claims paid	(486)	-	(486)	(378)	-	(378)
Changes in outstanding claims, net	44	-	44	(28)	-	(28)
Changes in IBNR, net	214	-	214	(27)	-	(27)
Net claims incurred	(228)	-	(228)	(433)	-	(433)
Investible contributions, net	(10,867)	-	(10,867)	(9,028)	-	(9,028)
Change in mathematical reserve	18	-	18	(64)	-	(64)
Policy acquisition costs	(316)	-	(316)	(400)	-	(400)
Supervision and inspection fees	(81)	-	(81)	(159)	-	(159)
TOTAL UNDERWRITING COSTS AND EXPENSES	(11,474)	-	(11,474)	(10,084)	-	(10,084)
NET UNDERWRITING INCOME	6,491	-	6,491	8,901	-	8,901
OTHER OPERATING (EXPENSES)/ INCOME						
(Additions to)/reversal of doubtful debts allowance	(8)	-	(8)	1	-	1
General and administrative expenses	(1,410)	(756)	(2,166)	(1,354)	(601)	(1,955)
Commission from held-to-maturity investments	112	2,329	2,441	-	2,275	2,275
Commission income on deposits	189	17	206	157	24	181
Unrealised gain on FVIS investments	-	31	31	-	90	90
Realised gain on FVIS investments	-	28	28	-	-	-
Dividend	-	-	-	-	39	39
Other income	18	9	27	108	15	123
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(1,099)	1,658	559	(1,088)	1,842	754

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2018

17. SUPPLEMENTRY INFORMATION (continued)

b) INTERIM STATEMENT OF INCOME (continued)

	<i>Three-month period ended 30 June (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2018</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2017</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
NET SURPLUS FROM OPERATIONS	5,392	1,658	7,050	7,813	1,842	9,655
Surplus transferred to Shareholders	(4,852)	4,852	-	(7,031)	7,031	-
NET INCOME FOR THE PERIOD	540	6,510	7,050	782	8,873	9,655
Weighted average number of ordinary shares outstanding (in thousands)	-	35,000	-	-	35,000	-
Basic and diluted earnings per share for the period (SR)	-	0.186	-	-	0.253	-

c) INTERIM STATEMENT OF COMPREHENSIVE INCOME

	<i>Three-month period ended 30 June (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2018</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2017</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
NET INCOME FOR THE PERIOD	540	6,510	7,050	782	8,873	9,655
Other comprehensive income	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	540	6,510	7,050	782	8,873	9,655

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2018

17. SUPPLEMENTRY INFORMATION (continued)

d) INTERIM STATEMENT OF INCOME

	<i>Six month period ended 30 June (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2018</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2017</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	30,608	-	30,608	45,023	-	45,023
Contributions ceded:						
Local	-	-	-	(11)	-	(11)
Foreign	(2,096)	-	(2,096)	(10,705)	-	(10,705)
Net written contributions	28,512	-	28,512	34,307	-	34,307
Change in unearned contributions, net	8,412	-	8,412	602	-	602
Net contribution earned	36,924	-	36,924	34,909	-	34,909
Other underwriting income	654	-	654	1,837	-	1,837
TOTAL REVENUES	37,578	-	37,578	36,746	-	36,746
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(5,700)	-	(5,700)	(8,625)	-	(8,625)
Reinsurance share of claims paid	4,520	-	4,520	7,583	-	7,583
Net claims paid	(1,180)	-	(1,180)	(1,042)	-	(1,042)
Changes in outstanding claims, net	(34)	-	(34)	(56)	-	(56)
Changes in IBNR, net	745	-	745	(15)	-	(15)
Net claims incurred	(469)	-	(469)	(1,113)	-	(1,113)
Investible contributions, net	(22,553)	-	(22,553)	(18,963)	-	(18,963)
Change in mathematical reserve	58	-	58	(51)	-	(51)
Policy acquisition costs	(635)	-	(635)	(789)	-	(789)
Supervision and inspection fees	(153)	-	(153)	(225)	-	(225)
TOTAL UNDERWRITING COSTS AND EXPENSES	(23,752)	-	(23,752)	(21,141)	-	(21,141)
NET UNDERWRITING INCOME	13,826	-	13,826	15,605	-	15,605
OTHER OPERATING (EXPENSES)/ INCOME						
Additions to doubtful debts allowance	(35)	-	(35)	(9)	-	(9)
General and administrative expenses	(2,764)	(1,526)	(4,290)	(2,509)	(1,186)	(3,695)
Commission from held-to-maturity investments	225	4,632	4,857	-	4,525	4,525
Commission income on deposits	386	24	410	401	75	476
Unrealised gain on FVIS investments	-	121	121	-	274	274
Realised gain on FVIS investments	-	28	28	-	-	-
Dividend	-	8	8	-	39	39
Other income	78	21	99	285	31	316
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(2,110)	3,308	1,198	(1,832)	3,758	1,926

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2018

17. SUPPLEMENTRY INFORMATION (continued)

d) INTERIM STATEMENT OF INCOME (continued)

	<i>Six month period ended 30 June (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2018</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2017</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
NET SURPLUS FROM OPERATIONS	11,716	3,308	15,024	13,773	3,758	17,531
Surplus transferred to Shareholders	(10,544)	10,544	-	(12,395)	12,395	-
NET INCOME FOR THE PERIOD	<u>1,172</u>	<u>13,852</u>	<u>15,024</u>	<u>1,378</u>	<u>16,153</u>	<u>17,531</u>
Weighted average number of ordinary shares outstanding (in thousands)	-	35,000	-	-	35,000	-
Basic and diluted earnings per share for the period (SR)	-	0.396	-	-	0.461	-

e) INTERIM STATEMENT OF COMPREHENSIVE INCOME

	<i>Six month period ended 30 June (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2018</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2017</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
NET INCOME FOR THE PERIOD	1,172	13,852	15,024	1,378	16,153	17,531
Other comprehensive income	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>1,172</u>	<u>13,852</u>	<u>15,024</u>	<u>1,378</u>	<u>16,153</u>	<u>17,531</u>

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2018

17. SUPPLEMENTRY INFORMATION (continued)

f) INTERIM STATEMENT OF CASH FLOWS

	<i>Six-month period ended 30 June (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2018</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2017</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	1,172	13,852	15,024	1,378	16,153	17,531
Adjustments for the period:						
Reinsurers' share of unearned contributions	5,287	-	5,287	(2,816)	-	(2,816)
Unearned contributions	(13,699)	-	(13,699)	2,214	-	2,214
Allowance for doubtful receivables	35	-	35	9	-	9
Commission from held-to-maturity investments	(226)	(4,631)	(4,857)	-	(4,525)	(4,525)
Unrealised gain on FVIS investments	-	(121)	(121)	-	(274)	(274)
Realised gain on FVIS investments	-	(28)	(28)	-	-	-
Depreciation	18	-	18	-	-	-
End-of-service indemnities	663	-	663	402	-	402
	(6,750)	9,072	2,322	1,187	11,354	12,541
Changes in operating assets and liabilities:						
Contributions receivable, net	(297)	-	(297)	(17,880)	-	(17,880)
Reinsurers' share of outstanding claims	1,027	-	1,027	3,540	-	3,540
Reinsurers' share of claims incurred but not reported	83	-	83	46	-	46
Available-for-sale investments held to cover unit-linked liabilities, net	(18,391)	-	(18,391)	(18,332)	-	(18,332)
Due from a related party	(5,301)	-	(5,301)	(493)	-	(493)
Prepayments and other receivables	39	40	79	(540)	(193)	(733)
Accrued expenses and other liabilities	759	(24)	735	(1,056)	(114)	(1,170)
Reinsurers' balances payable	(2,991)	-	(2,991)	(261)	-	(261)
Outstanding claims	(993)	-	(993)	(3,483)	-	(3,483)
Claims incurred but not reported	(828)	-	(828)	(31)	-	(31)
Unit reserve	19,401	-	19,401	19,205	-	19,205
Mathematical reserve	(58)	-	(58)	51	-	51
Due to Shareholders' Operations	10,287	-	10,287	12,152	-	12,152
Due from Insurance Operations	-	(10,287)	(10,287)	-	(12,152)	(12,152)
Cash used in operations	(4,013)	(1,199)	(5,212)	(5,895)	(1,105)	(7,000)
Zakat and income tax paid	-	(980)	(980)	-	(1,196)	(1,196)
End-of-service indemnities paid	(711)	-	(711)	(66)	-	(66)
Net cash used in operating activities	(4,724)	(2,179)	(6,903)	(5,961)	(2,301)	(8,262)
INVESTING ACTIVITIES						
Proceeds from disposal of FVIS investment	-	24,500	24,500	-	-	-
Purchase of furniture and fixtures	(267)	-	(267)	-	-	-
Net cash (used in)/from investing activities	(267)	24,500	24,233	-	-	-
FINANCING ACTIVITY						
Dividend paid	-	(24,500)	(24,500)	-	(17,500)	(17,500)
Net cash used in financing activity	-	(24,500)	(24,500)	-	(17,500)	(17,500)
Net decrease in cash and cash equivalents	(4,991)	(2,179)	(7,170)	(5,961)	(19,801)	(25,762)
Cash and cash equivalents at the beginning of the period	46,814	6,448	53,262	58,984	22,893	81,877
Cash and cash equivalents at the end of the period	41,823	4,269	46,092	53,023	3,092	56,115

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2018

18. DIVIDEND

On 25 Rajab 1439H (corresponding to 11 April 2018), the Company's Board of Directors proposed to pay a dividend of SR 0.7 per share totaling SR 24.5 million to its shareholders (30 June 2017: SR 0.5 per share totaling SR 17.5 million). This dividend proposal was approved by the shareholders in the Ordinary General Assembly Meeting held on 5 Ramadan 1439H (corresponding to 20 May 2018). Accordingly, the dividend payment was made on 23 Ramadan 1439H (corresponding to 7 June 2018).

19. AMALGAMATION OF SHAREHOLDERS AND INSURANCE OPERATIONS

Certain of the comparative figures have been reclassified and regrouped to conform to the in the current period presentation. These changes as summarised below, were mainly to conform with the SAMA requirements:

- As discussed in note 2 to these interim financial statements, previously interim statement of financial position, interim statement of income and interim statement cash flows were presented separately for insurance operations and shareholders operations which are combined together to present one Company level interim statement of financial position, interim statement of income and interim statement of cash flows.
- The amounts "due to/from" shareholders and insurance operations which previously reported separately in the respective statement of financial position, are now eliminated. (refer note 17(a)).
- 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)).

20. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors on 2 august 2018, corresponding to 20 Dhu al-Qaada 1439H.