
ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED INTERIM FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REVIEW REPORT
(UNAUDITED)**

**FOR THE THREE-MONTH AND NINE-MONTH
PERIODS ENDED 30 SEPTEMBER 2021**

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month and nine-month periods ended 30 September 2021

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INDEPENDENT AUDITORS' REPORT ON THE REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying condensed statement of financial position of AlJazira Takaful Taawuni Company - a Saudi Joint Stock Company (the "Company") as at 30 September 2021, and the related condensed statements of income and other comprehensive income for the three-month and nine-month periods then ended and the condensed statements of changes in equity and cash flows for the nine-month period then ended, and notes to the condensed interim financial statements. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim 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" as 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 ('ISAs'), 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 condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

For KPMG Professional Services



Ebrahim Oboud Baeshen
License No. 382

**For Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountants**



Abdullah M. Al Azem
License No. 335




AlJazira Takaful Taawuni Company is a Saudi Joint Stock Company, registered in the Kingdom of Saudi Arabia, with a paid-up capital of (25,000,000) SAR. A percentage ownership form of the (KPMG) global organization is published in member States. All other public KPMG member offices are independent member firms of the KPMG network. English company limited by guarantee. All rights reserved.

9 November 2021
Corresponding to 4 Rabi Al Thani 1443H



ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 September 2021

	Notes	30 September 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000
ASSETS			
Cash and cash equivalents	5	140,451	106,032
Premium receivable, net	6	31,625	2,503
Due from reinsurers, net		5,686	-
Reinsurers' share of unearned premium	11	10,934	17,423
Reinsurers' share of outstanding claims	12	62,015	43,483
Reinsurers' share of claims incurred but not reported	12	25,522	15,164
Deferred policy acquisition costs		3,663	-
Available for sale investments held to cover unit-linked liabilities	7	1,567,210	1,343,823
Investments	8	592,266	451,811
Due from a related party	13.2	60,348	26
Prepayments and other assets		25,522	3,760
Property and equipment		4,550	1,730
Intangible assets		3,922	-
Right of use assets		6,865	-
Goodwill	4	232,948	-
Statutory deposit	16	47,066	35,000
TOTAL ASSETS		2,820,593	2,020,755
LIABILITIES			
Accrued expenses and other liabilities		137,226	51,430
Lease liabilities		5,028	-
Payable to agents, policyholders and claimants		31,456	-
Unearned reinsurance commission		890	-
Reinsurance balances payable		13,204	15,300
Unearned premium	11	52,665	34,533
Outstanding claims	12	90,874	49,226
Claims incurred but not reported	12	65,071	17,835
Premium deficiency reserve	10.2	8,146	-
Unit reserves	9	1,569,946	1,349,364
Mathematical reserve	10.1	5,940	9,160
Other technical reserves	10.3	2,036	322
Employee benefits		6,160	3,518
Zakat and income tax	14	2,842	1,282
Due to a related party	13.3	984	-
Surplus from Insurance Operations		17,294	15,837
TOTAL LIABILITIES		2,009,762	1,547,807
EQUITY			
Share capital		470,664	350,000
Share premium	4	197,286	-
Statutory reserve		38,348	38,348
Retained earnings		104,945	85,012
TOTAL SHAREHOLDERS' EQUITY		811,243	473,360
Remeasurement reserve of employee benefits - related to Insurance Operations		(412)	(412)
TOTAL EQUITY		810,831	472,948
TOTAL LIABILITIES AND EQUITY		2,820,593	2,020,755


Chairman

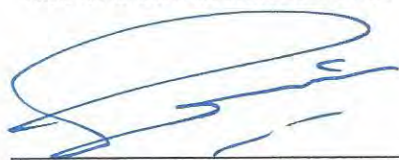

Chief Financial Officer

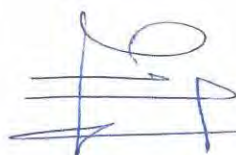

Managing Director

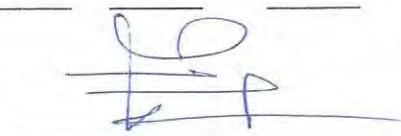
The accompanying notes 1 to 21 form an integral part of these condensed interim financial statements.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONDENSED STATEMENT OF INCOME (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2021

		Three-month period ended 30 September		Nine-month period ended 30 September	
	Notes	2021 SAR'000	2020 SAR'000	2021 SAR'000	2020 SAR'000
REVENUE					
Gross written premium		74,086	60,704	192,933	146,808
Investible premium		(33,223)	(49,077)	(96,134)	(115,296)
Reinsurance premium ceded—local		(250)	-	(349)	-
Reinsurance premium ceded—foreign		(8,484)	(2,989)	(23,152)	(10,427)
Excess of loss expenses		(9,198)	-	(21,456)	-
Net premium written		22,931	8,638	51,842	21,085
Change in unearned premium, net		13,595	7,393	71,943	20,661
Net premium earned		36,526	16,031	123,785	41,746
Reinsurance commission earned		573	-	1,446	-
Other underwriting income		9,154	377	18,703	19,131
TOTAL REVENUES		46,253	16,408	143,934	60,877
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid		(51,524)	(11,086)	(140,584)	(18,495)
Reinsurers' share of claims paid		15,026	9,876	36,609	16,263
Net claims paid		(36,498)	(1,210)	(103,975)	(2,232)
Changes in outstanding claims, net		9,014	(67)	7,429	(331)
Changes in claims incurred but not reported, net		126	1,147	(4,668)	251
Net claims incurred		(27,358)	(130)	(101,214)	(2,312)
Changes in mathematical reserve	10.1	21	(86)	3,220	2,489
Changes in premium deficiency reserve	10.2	2,446	-	11,098	-
Changes in other technical reserves	10.3	91	35	16,830	(584)
Policy acquisition costs		(3,430)	(2,547)	(10,373)	(7,041)
Supervision and inspection fees		-	(303)	(342)	(734)
Other direct underwriting expenses		(2,225)	-	(8,884)	-
TOTAL UNDERWRITING COSTS AND EXPENSES		(30,455)	(3,031)	(89,665)	(8,182)
NET UNDERWRITING INCOME		15,798	13,377	54,269	52,695


Chairman


Chief Financial Officer


Managing Director

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONDENSED STATEMENT OF INCOME (UNAUDITED) (continued)
For the three-month and nine-month periods ended 30 September 2021

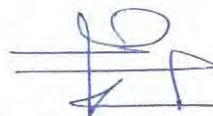
	Notes	Three-month period ended 30 September		Nine-month period ended 30 September	
		2021	2020	2021	2020
		SAR'000	SAR'000	SAR'000	SAR'000
NET UNDERWRITING INCOME – B/F		15,798	13,377	54,269	52,695
OTHER OPERATING (EXPENSES)/INCOME					
Impairment (loss)/reversal on premium receivable	6	(912)	664	(1,568)	53
General and administrative expenses		(16,596)	(11,047)	(50,618)	(31,978)
Commission from held to maturity investments	8.1	3,120	2,979	8,359	8,945
Commission income on deposits		258	26	635	37
Unrealized gain on FVIS investments	8.2	688	651	2,636	875
Realized gain/(loss) on FVIS investments		72	(1)	73	1,543
Dividends from FVIS investments		38	-	99	220
Other income		3,299	2,094	8,914	6,569
TOTAL OTHER OPERATING EXPENSES, NET		(10,033)	(4,634)	(31,470)	(13,736)
Income before surplus, Zakat and income tax		5,765	8,743	22,799	38,959
Net income attributed to the Insurance Operations		(404)	(851)	(1,677)	(3,515)
Income for the period attributable to the Shareholders' before zakat and income tax		5,361	7,892	21,122	35,444
Zakat	14.1	(704)	(206)	(1,128)	(978)
Income tax	14.2	(20)	(20)	(61)	(101)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS'		4,637	7,666	19,933	34,365
Weighted average number of ordinary shares outstanding (in thousands of shares)		47,066	35,000	44,385	35,000
Earnings per share for the period (SAR/ share) (Basic and diluted)	15	0.099	0.219	0.449	0.982



Chairman




Chief Financial Officer



Managing Director

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2021

	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
Net income for the period attributable to the shareholders'	4,637	7,666	19,933	34,365
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	4,637	7,666	19,933	34,365



Chairman




Chief Financial Officer




Managing Director

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONDENSED STATEMENT OF CHANGES IN EQUITY
For the nine-month period ended 30 September 2021

	Shareholders' equity					Re-measurement reserve of employee benefits – related to insurance operations SAR'000	Total equity SAR'000
	Share capital SAR'000	Share premium SAR'000	Statutory reserve SAR'000	Retained earnings SAR'000	Total shareholders' equity SAR'000		
Balance at 01 January 2021	350,000	-	38,348	85,012	473,360	(412)	472,948
Net income for the period	-	-	-	19,933	19,933	-	19,933
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	19,933	19,933	-	19,933
Issue of share capital (note 4)	120,664	197,286	-	-	317,950	-	317,950
Balance as at 30 September 2021 (Unaudited)	470,664	197,286	38,348	104,945	811,243	(412)	810,831
Balance at 1 January 2020	350,000	-	30,595	54,001	434,596	(49)	434,547
Net income for the period	-	-	-	34,365	34,365	-	34,365
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	34,365	34,365	-	34,365
Balance as at 30 September 2020 (Unaudited)	350,000	-	30,595	88,366	468,961	(49)	468,912


Chairman


Chief Financial Officer


Managing Director

The accompanying notes 1 to 21 form an integral part of these condensed interim financial statements.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
For the nine-month period ended 30 September 2021

	Notes	30 September 2021 SAR'000	30 September 2020 SAR'000
OPERATING ACTIVITIES			
Net income attributable to the shareholders' before Zakat and income tax		21,122	35,444
Adjustments for non-cash items:			
Net income attributed to the Insurance Operations		1,677	3,515
Impairment loss / (reversal) on premium receivable	6	1,568	(53)
Loss on disposal of property and equipment		239	-
Commission from held to maturity investments	8.1	(8,359)	(8,945)
Unrealized gain on FVIS investments	8.2	(2,636)	(875)
Realized gain on FVIS investments		(73)	(1,543)
Dividends from FVIS investments		(99)	(220)
Depreciation and amortization		3,616	197
Finance cost on lease liabilities		170	-
Employee benefits		985	665
		18,210	28,185
<u>Changes in operating assets and liabilities:</u>			
Premium's receivable, net		(1,609)	1,969
Due from reinsurers, net		5,276	(5,306)
Reinsurers' share of unearned premium		16,720	11,392
Unearned premium		(88,663)	(32,053)
Unearned reinsurance commission		(466)	-
Deferred policy acquisition costs		5,155	-
Reinsurers' share of outstanding claims		4,436	(7,137)
Reinsurers' share of claims incurred but not reported		(2,077)	673
Available for sale investments held to cover unit-linked liabilities, net		(223,387)	(54,863)
Due from related parties		(4,031)	78,176
Prepayments and other assets		7,987	(704)
Accrued expenses and other liabilities		(5,231)	13,699
Payable to agents, policyholders and claimants		9	-
Reinsurers' balances payable		(10,269)	(7,406)
Outstanding claims		(11,865)	7,468
Claims incurred but not reported		6,745	(924)
Unit reserves		220,582	57,155
Mathematical reserve		(3,220)	(2,489)
Premium deficiency reserves		(11,098)	-
Other technical reserves		(16,830)	584
Cash (used in) / generated from operations		(93,626)	88,419
Release of short-term deposit acquired as a result of business combination	4.1	37,500	-
Increase in statutory deposit	16	(12,066)	-
Zakat and income tax paid	14	(3,027)	(1,053)
Employee benefits paid		(1,081)	(298)
Distribution of surplus to policyholders		(261)	(16,760)
Net cash (used in) / generated from operating activities		(72,561)	70,308
INVESTING ACTIVITIES			
Proceeds from maturity of held to maturity investments	8.1	152,666	8,000
Proceeds from disposal of FVIS investments		173,484	14,214
Purchase of held to maturity investments	8.1	(149,202)	-
Purchase of FVIS investments	8.2	(235,000)	(82,820)
Commission received from held to maturity investments	8.1	27,144	6,886
Dividends from FVIS investments		99	220
Cash and cash equivalents acquired through business combination	4	140,850	-
Purchase of property and equipment		(512)	(831)
Net cash generated from / (used in) investing activities		109,529	(54,331)
FINANCING ACTIVITIES			
Repayment of lease liabilities		(2,549)	-
Net cash used in financing activities		(2,549)	-
Net increase in cash and cash equivalents		34,419	15,977
Cash and cash equivalents at the beginning of the period	5	106,032	19,687
Cash and cash equivalents at the end of the period	5	140,451	35,664

Chairman

Chief Financial Officer

Managing Director

The accompanying notes 1 to 21 form an integral part of these condensed interim financial statements.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
At 30 September 2021

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 03 July 2013. The Company operates only in the Kingdom of Saudi Arabia. The Company has the following branches and the assets, liabilities and results of operations of these branches and offices are included in these condensed interim financial statements:

<u>Branch</u>	<u>CR Number</u>	<u>Date</u>
Riyadh	1010519290	24 Jumada Al-Awal 1440
Riyadh	1010339648	01 Rajab 1433
Madinah	4650081845	21 Rabi' Al-Awal 1438
AlKhobar	2051224259	24 Jumada Al-Awal 1440

The registered office address of the Company is:
 Al Musadia Plaza (3), Al Madinah Road,
 P.O. Box 5215, Jeddah 21422, Kingdom of Saudi Arabia.

The objectives of the Company are to engage in providing insurance products that include protection and saving insurance products and related services in accordance with its By-Laws and applicable regulations in the Kingdom of Saudi Arabia. On 13 Jumada al-Thani 1442H (corresponding to 26 January 2021), the Company amended its By-Laws to include the objective of practicing general insurance and health insurance business. The Company received license number TMN/34/201312 dated 15 Safar 1435H (corresponding to 18 December 2013) from the Saudi Central Bank (SAMA) to conduct insurance business. The Company is owned 98.20% by Saudi shareholders' and the general public subject to Zakat and 1.80% by non-Saudi shareholders' subject to income tax.

Further to receipt of regulatory approvals, shareholders of the Company and Solidarity Saudi Takaful Company ("Solidarity") in the Extra Ordinary General Meeting held on 13 Jumada al-Thani 1442H (corresponding to 26 January 2021) approved the proposed merger of the Company and Solidarity pursuant to Articles 191-193 of the Companies Law and Article 49 (a) (1) of the Merger and Acquisitions Regulations issued by the Capital Markets Authority of the Kingdom of Saudi Arabia (the "CMA"). On 16 Rajab 1442 (corresponding to 28 February 2021), the Company announced the enforcement of the decision to merge Solidarity into the Company and transfer all the assets and liabilities of Solidarity to the Company after both the Company and Solidarity had fulfilled the merger terms according to the merger agreement concluded between the two companies as described in the shareholders' circular and the offering document issued by the Company. Please refer to note 4 for details.

2. BASIS OF PREPARATION

a) Basis of presentation

The condensed interim financial statements of the Company as at and for the period ended 30 September 2021 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants ("SOCPA") (referred to as "IFRS as endorsed in KSA").

The condensed interim 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 and employee benefits which are recognized at the present value of future obligations using Projected Unit Credit Method.

The Company's condensed statement of financial position is presented in order of liquidity. Except for property and equipment, intangible assets, right of use assets, goodwill, statutory deposit, employee benefits, lease liabilities, outstanding claims, claims incurred but not reported, premium deficiency reserve, unit reserves, mathematical reserve, and other technical reserves, 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.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2021

2. BASIS OF PREPARATION (continued)

a) Basis of presentation (continued)

The condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended 31 December 2020 ("last annual Financial Statements") except the impact of merger with Solidarity (refer note 4). The condensed interim financial statements may not be considered indicative of the expected results for the full year. These condensed interim 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 condensed interim 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.

Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In preparing these condensed interim financial statements, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2020. However, the Company has reviewed the key sources of estimation uncertainties disclosed in the last annual financial statements against the backdrop of COVID-19 pandemic and the estimation uncertainties associated with the assets and liabilities transferred as a result of its merger with Solidarity. Management will continue to assess the situation and reflect any required changes in future reporting periods.

c) Seasonality of operations

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2020. Based on the adoption of amendments to existing standards and in consideration of the current economic environment, the following accounting policies are applicable effective 01 January 2020, replacing, amending or adding to the corresponding accounting policies set out in 2020 annual financial statements.

a) Amendments to existing accounting standards

The Company has adopted the following amendment and revision to existing standards and interpretations, which were issued by the International Accounting Standards Board (IASB), have been effective for the first time in 2021 and are accordingly adopted by the Company:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Profit Rate Benchmark Reform

The amendments provide temporary relief that address the impact on financial reporting when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free profit rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating profit rate, equivalent to a movement in a market rate of profit;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued; and
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

At 30 September 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's condensed interim 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>
IFRS 17	Insurance Contracts
IFRS 9	Financial Instruments
IAS 1	Classification of Liabilities as Current or Non-current
IAS 1 & IFRS Practice Statement 2	Disclosure of Accounting Policies
IAS 8	Definition of Accounting Estimates
IAS 37	Onerous contracts: Cost of Fulfilling a contract
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
IFRS 3	Reference to Conceptual Framework
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Annual Improvements	Annual Improvements to IFRS Standards 2018-2020

IFRS 17 – Insurance Contracts

Overview

This standard has been published on 18 May 2017, it establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 – Insurance contracts.

The new standard applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features provided the entity also issues insurance contracts. It requires to separate the following components from insurance contracts:

- i) embedded derivatives, if they meet certain specified criteria;
- ii) distinct investment components; and
- iii) any promise to transfer distinct goods or non-insurance services.

These components should be accounted for separately in accordance with the related standards (IFRS 9 and IFRS 15).

Measurement

In contrast to the requirements in IFRS 4, which permitted insurers to continue to use the accounting policies for measurement purposes that existed prior to January 2015, IFRS 17 provides the following different measurement models:

The General model is based on the following "building blocks":

- a) the fulfilment cash flows (FCF), which comprise:
 - probability-weighted estimates of future cash flows,
 - an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows,
 - and a risk adjustment for non-financial risk;
- b) the Contractual Service Margin (CSM). The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately. At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:
 - the liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date;
 - and the liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

The CSM is adjusted subsequently for changes in cash flows related to future services but the CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss.

The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.

The Variable Fee Approach (VFA) is a mandatory model for measuring contracts with direct participation features (also referred to as 'direct participating contracts'). This assessment of whether the contract meets these criteria is made at inception of the contract and not reassessed subsequently. For these contracts, the CSM is also adjusted for in addition to adjustment under general model;

- i) changes in the entity's share of the fair value of underlying items,
- ii) changes in the effect of the time value of money and financial risks not relating to the underlying items.

In addition, a simplified Premium Allocation Approach (PAA) is permitted for the measurement of the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period for each contract in the group is one year or less. With the PAA, the liability for remaining coverage corresponds to premiums received at initial recognition less insurance acquisition cash flows. The general model remains applicable for the measurement of incurred claims. However, the entity is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid/received in one year or less from the date the claims are incurred.

Effective date

The IASB issued an Exposure Draft Amendments to IFRS 17 during June 2019 and received comments from various stakeholders. The IASB is currently re-deliberating issues raised by stakeholders. For any proposed amendments to IFRS 17, the IASB will follow its normal due process for standard-setting. The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4, is currently January 1, 2023. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied. The Company intends to apply the standard on its effective date.

Transition

A retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

Presentation and Disclosures

The Company expects that the new standard will result in a change to the accounting policies for insurance contracts together with amendments to presentation and disclosures.

Impact

The Company has completed the design of IFRS 17 requirements. The Company is in the process of generating dry run result for IFRS 17 to be submitted to SAMA by 30 November 2021. As of the date of the publication of these condensed interim financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company. The Company has undertaken a Gap Analysis, and the key areas of Gaps are as follows:

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

Impact Area	Summary of Impact
Financial Impact	The Company is still assessing full financial impact
Data Impact / IT Systems	<ul style="list-style-type: none"> Conceptual design of New chart of accounts has been developed for PAA/ GMM / VFA. Actuarial and accounting data requirements have been developed at more granular level. Discount rates will need to be stored for group of contracts and tracked for interest accretion calculation under GMM / VFA. Embedded risk adjustment calculation in the actuarial system. Confidence interval numbers to be sourced for risk adjustment. Conceptual design for identification of key inputs for onerous contracts test as well as defining ‘facts and circumstance’ for PAA contracts has been developed. Conceptual design for calculation and tracking of contractual service margin.
Process Impact	<ul style="list-style-type: none"> Conceptual design for Finance, actuarial, underwriting and Information Technology (IT) processes has been built suitable for IFRS 17 together with new set of governance framework. New controls dealing with IFRS 17 will be developed during the implementation phase. New reconciliation processes to be put in place between accounting, actuarial and underwriting data sources. Conceptual design for new accounting policies each suitable for measurement model and technical decisions have been identified for each area. Monitor terms and conditions attaching to insurance contracts. Conceptual design for new expense allocation process, acquisition costs, claims settlement costs and underwriting costs has been put in place to identify profitability at a contract level. System to track coverage period for future products need to be put in place.
Impact on Policies & Control Frameworks	<ul style="list-style-type: none"> New Steering committee for IFRS 17 has been established. Project plan for design and implementation has been set up at activities level.

The Company has started with their implementation process and have set up an implementation committee. The Company submitted IFRS 17 Phase 3 Implementation plan report to SAMA in May 2021 to comply with the regulatory requirement for the design phase.

IFRS 9 - Financial Instruments

This standard was published on 24 July 2014 and has replaced IAS 39. The new standard addresses the following items related to financial instruments:

Classification and measurement

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. A financial asset is measured at amortized cost if both:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI”).

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 9 - Financial Instruments (continued)

The financial asset is measured at fair value through other comprehensive income and realized gains or losses would be recycled through profit or loss upon sale, if both conditions are met:

- i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and for sale and;
- ii) the contractual terms of cash flows are SPPI.

Assets not meeting either of these categories are measured at fair value through profit or loss. Additionally, at initial recognition, an entity can use the option to designate a financial asset at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch. For equity instruments that are not held for trading, an entity can also make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the instruments (including realized gains and losses), dividends being recognized in profit or loss.

Additionally, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

Impairment

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the IFRS 9 approach, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

Hedge accounting

IFRS 9 introduces new requirements for hedge accounting that align hedge accounting more closely with Risk Management. The requirements establish a more principles-based approach to the general hedge accounting model. The amendments apply to all hedge accounting with the exception of portfolio fair value hedges of interest rate risk (commonly referred to as "fair value macro hedges"). For these, an entity may continue to apply the hedge accounting requirements currently in IAS 39. This exception was granted largely because the IASB is addressing macro hedge accounting as a separate project.

Effective date

The published effective date of IFRS 9 was 01 January 2018. However, amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts, published on 12 September 2016, changes the existing IFRS 4 to allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 before the IASB's new insurance contract standard (IFRS 17 – Insurance Contracts) becomes effective. The amendments introduce two alternative options:

- 1) apply a temporary exemption from implementing IFRS 9 until the earlier of
 - a) the effective date of a new insurance contract standard; or
 - b) annual reporting periods beginning on or after January 1, 2021 which was then deferred to January 1, 2022. The IASB has extended the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to January 1, 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or
- 2) adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 9 - Financial Instruments (continued)

The Company has performed a preliminary assessment beginning 01 January 2020:

(1) The carrying amount of the Company's liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and

(2) the total carrying amount of the company's liabilities connected with insurance were compared to the total carrying amount of all its liabilities. Based on these assessments, the Company determined that it is eligible for the temporary exemption. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are included in the Company's condensed interim financial statements.

Impact assessment

The Company is currently assessing the impact of the application and implementation of IFRS 9. As of the date of the publication of these condensed interim financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company. However, the Company expects the classification and measurement of financial assets to be impacted from the implementation of IFRS 9 as the company is yet to perform a detailed review.

4. BUSINESS COMBINATION

The Company signed a non-binding Memorandum of Understanding (the "MOU") with Solidarity on 23 Shawwal 1440H (corresponding to 26 June 2019) to evaluate a potential merger between the two companies. On 04 Muharram 1442H (corresponding to 23 August 2020), the Company announced entry into a binding merger agreement with Solidarity (the "Merger Agreement") in an effort to acquire all shares held by the shareholders in Solidarity through the submission of an offer to exchange shares without any cash consideration, such exchange to be affected by way of increasing the capital of the Company through the issuance of new ordinary shares to all shareholders in Solidarity (the "Merger"). The Company received approval from Saudi Central Bank (SAMA) and Capital Market Authority on the merger transaction on 15 Rabi al-Thani 1442H (corresponding to 30 November 2020) and 08 Jumada al-Awwal 1442H (corresponding to 23 December 2020), respectively.

During the period, the shareholders of the Company and Solidarity in the Extra Ordinary General Meeting held on 13 Jumada al-Thani 1442H (corresponding to 26 January 2021) approved the proposed merger of the Company and Solidarity to be effected by way of a merger pursuant to Articles 191, 192, and 193 of the Companies Law issued under Royal Decree No. M3 dated 28 Muharram 1437H (corresponding to 10 November 2015), through the issuance of 0.482656120 new shares in the Company for each share in Solidarity, subject to the terms and conditions of the Merger Agreement.

On 14 Rajab 1442 (corresponding to 26 February 2021), the objection period for creditors ended, and there were no outstanding objections from the creditors of Solidarity as on this date. Further, on 16 Rajab 1442 (corresponding to 28 February 2021), the Company announced the enforcement of the decision to merge Solidarity into the Company and transfer all the assets and liabilities of Solidarity to the Company after both the Company and Solidarity had fulfilled the merger terms according to the merger agreement concluded between the two companies as described in the shareholders' circular and the offering document issued by the Company. On this date, the net assets and business activities of Solidarity were transferred to the Company in exchange for newly issued shares of the Company. Solidarity was de-listed from Tadawul, following the transfer; however, the commercial registration of Solidarity was not cancelled as of 30 September 2021.

The merger has been accounted for using the acquisition method under IFRS 3 – Business Combinations (the "Standard") with the Company being the acquirer and Solidarity being the acquiree. The Company has accounted for the acquisition based on provisional fair values of the acquired assets and assumed liabilities as of 28 February 2021 ("acquisition date"). Adjustment to the provisional values and their impact on the goodwill and acquired net assets of the Company will be finalized within twelve months of the date of acquisition as allowed by the Standard.

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4. BUSINESS COMBINATION (CONTINUED)

Purchase consideration

The purchase consideration was determined to be SAR 317,950 thousand, which consisted of the issue of 12,066,403 new shares to the shareholders of Solidarity.

The fair value of the newly issued shares of the Company was determined based on the closing market price of the ordinary shares of SAR 26.35 per share on the Tadawul on the last trading date prior to the acquisition date of 28 February 2021. Issue costs which were directly attributable to the issue of the shares were not material. As a result, there was an increase in share capital and share premium of SAR 120,664 thousand and SAR 197,286 thousand, respectively.

Identifiable assets acquired and liabilities assumed

The following table summarises the provisional fair values of assets acquired and liabilities assumed as at 28 February 2021:

	Insurance Operations SAR'000	Shareholder Operations SAR'000	Total SAR'000
Assets			
Cash and cash equivalents	48,215	92,635	140,850
Short term deposits (note 4.1)	-	37,500	37,500
Premium receivable, net	29,081	-	29,081
Due from reinsurers', net	10,962	-	10,962
Investments	-	98,479	98,479
Reinsurers' share of unearned premiums	10,231	-	10,231
Reinsurers' share of outstanding claims	22,968	-	22,968
Reinsurers' share of claims incurred but not reported	8,281	-	8,281
Deferred policy acquisition costs	8,818	-	8,818
Prepayments and other assets	28,336	1,413	29,749
Right of use assets, net	7,743	-	7,743
Property and equipment	4,447	-	4,447
Due from a related party	-	56,291	56,291
Due from Shareholder operations	147,218	-	147,218
Intangible assets	4,760	-	4,760
TOTAL ASSETS	331,060	286,318	617,378
Liabilities			
Payable to agents, policyholders and claimants	31,447	-	31,447
Accrued expenses and other liabilities	41,141	49,887	91,028
Reinsurers' balances payable	8,173	-	8,173
Unearned premium	106,795	-	106,795
Unearned reinsurance commission	1,356	-	1,356
Outstanding claims	53,513	-	53,513
Claims incurred but not reported	40,491	-	40,491
Premium deficiency reserve	19,244	-	19,244
Other technical reserves	18,544	-	18,544
Lease liabilities	7,407	-	7,407
Due to insurance operations	-	147,218	147,218
Due to a related party	146	838	984
Employee benefits	2,738	-	2,738
Zakat and income tax	-	3,398	3,398
Surplus from insurance operations	40	-	40
TOTAL LIABILITIES	331,035	201,341	532,376
Solidarity's net assets at Acquisition date			85,002
Goodwill arising from the acquisition			232,948
Purchase consideration			317,950

4.1 This amount represents the statutory deposit of Solidarity Saudi Takaful Company which was acquired through a business combination. During the period ended 30 September 2021, the amount was fully withdrawn upon receipt of SAMA approval.

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5. CASH AND CASH EQUIVALENTS

	<i>30 September 2021 (Unaudited)</i>			<i>31 December 2020 (Audited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
Cash in hand	139	-	139	-	-	-
Cash at banks	81,526	4,575	86,101	9,020	3,532	12,552
Murabaha deposits	-	54,211	54,211	63,480	30,000	93,480
Total	<u>81,665</u>	<u>58,786</u>	<u>140,451</u>	<u>72,500</u>	<u>33,532</u>	<u>106,032</u>

5.1 Cash and cash equivalents include the amount of SAR 33,155 thousand (31 December 2020: SAR 105,532 thousand) held with Bank AlJazira "the founding shareholder" as at 30 September 2021.

5.2 Murabaha deposits earn a commission at an average rate of is 0.10% to 1.70% per annum (31 December 2020: 3.00% to 3.20% per annum).

6. PREMIUM RECEIVABLE, NET

	<i>30 September 2021 (Unaudited) SAR'000</i>	<i>31 December 2020 (Audited) SAR'000</i>
<i>Insurance Operations</i>		
Policyholders	35,693	349
Brokers and agents	6,542	-
Related parties (note 13.4)	6,665	2,356
Gross premium receivable	48,900	2,705
Provision for impairment loss	(17,275)	(202)
Premium receivable, net	<u>31,625</u>	<u>2,503</u>

Movement in provision for impairment loss during the period / year was as follows:

	<i>Nine-month period ended 30 September 2021 SAR'000 (Unaudited)</i>	<i>Year ended 31 December 2020 SAR'000 (Audited)</i>
Balance at beginning of the period / year	202	238
Acquired through business combination (note 4)	15,505	-
Provision / (reversal) during the period / year	1,568	(36)
Balance at end of the period / year	<u>17,275</u>	<u>202</u>

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

Investment of Insurance operations comprises of units of mutual funds denominated in Saudi Arabian Riyals (SAR) and United States Dollars (USD) managed by AlJazira Capital "the founding shareholder".

Insurance Operations	Denomination	30 September 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000
AlJazira Saudi Riyal Murabaha Fund	SAR	152,521	153,738
AlJazira Diversified Aggressive Fund	SAR	227,952	185,453
AlJazira Diversified Balanced Fund	SAR	64,416	51,320
AlJazira Diversified Conservative Fund	SAR	16,054	11,610
AlJazira International Equities Fund	USD	252,898	222,209
AlJazira Saudi Equities Fund	SAR	389,419	289,910
AlJazira European Equities Fund	USD	204,016	175,771
AlJazira Japanese Equities Fund	USD	259,934	253,812
Total		1,567,210	1,343,823

The movement in the available for sale investments held to cover unit-linked liabilities during the period/ year is as follows:

	Nine-month period ended 30 September 2021 (Unaudited) SAR'000	Year ended 31 December 2020 (Audited) SAR'000
Balance at the beginning of the period/ year	1,343,823	185,178
Insurance portfolio transfer	-	996,927
Redemption during the period/ year, net	(22,010)	(1,743)
Changes in fair value during the period/ year (note 9)	245,397	163,461
Balance at the end of the period/ year	1,567,210	1,343,823

8. INVESTMENTS

	30 September 2021 (Unaudited)			31 December 2020 (Audited)		
	Insurance operations SAR'000	Shareholders' operations SAR'000	Total SAR'000	Insurance operations SAR'000	Shareholders' operations SAR'000	Total SAR'000
Held to maturity investments (8.1)	-	466,599	466,599	16,370	378,978	395,348
FVIS investments (8.2)	89,304	36,363	125,667	53,479	2,984	56,463
Total	89,304	502,962	592,266	69,849	381,962	451,811

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8. INVESTMENTS (continued)

8.1 Held to maturity investments

Held to maturity investments represents Sukuk of SAR 466,599 thousand (31 December 2020: SAR 198,264 thousand) with a maturity of 12 to 30 years. Furthermore, held to maturity investment also includes Murabaha deposit of SAR Nil (31 December 2020: SAR 178,522 thousand) with a maturity of three years held with Bank AlJazira "the founding shareholder". The average coupon rate on Sukuk is 1.83% to 5.65% per annum (31 December 2020: 4.01% to 4.10%), and the commission rate on Murabaha deposits is 3.00% to 3.20% per annum as at 31 December 2020.

The movement in the held to maturity investments for the period / year ended 30 September 2021 and 31 December 2020 is as follows:

	<i>30 September 2021 (Unaudited)</i>		
	<i>Insurance operations SAR '000</i>	<i>Shareholders' operations SAR '000</i>	<i>Total SAR '000</i>
Balance at the beginning of the period	16,370	378,978	395,348
Acquired through business combination (note 4)	-	93,500	93,500
Placements during the period	-	149,202	149,202
Maturity of held to maturity investments	(16,381)	(136,285)	(152,666)
Commission from held to maturity investments	11	8,348	8,359
Commission received from held to maturity investments	-	(27,144)	(27,144)
Balance at the end of the period	-	466,599	466,599

	<i>31 December 2020 (Audited)</i>		
	<i>Insurance operations SAR '000</i>	<i>Shareholders' operations SAR '000</i>	<i>Total SAR '000</i>
Balance at the beginning of the year	15,914	367,503	383,417
Placements during the year	-	30,000	30,000
Commission from held to maturity investments	456	11,780	12,236
Disposals during the year	-	(23,000)	(23,000)
Commission received from held to maturity investments	-	(7,305)	(7,305)
Balance at the end of the year	16,370	378,978	395,348

8.2 FVIS investments

The fair value through income statement ("FVIS") investments represent investments in mutual funds managed by 'AlJazira Capital', a founding shareholder, amounting to SAR 120,153 thousand (31 December 2020: SAR 53,479 thousand), investment in quoted equity shares amounting to SAR 3,591 thousand (31 December 2020: SAR 2,984 thousand) and investment in Najm, amounting to SAR 1,923 thousand (31 December 2020: SAR Nil).

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8. INVESTMENTS (continued)

8.2 FVIS investments (continued)

The movement in FVIS investments for the period / year ended 30 September 2021 and 31 December 2020 is as follows:

	<i>30 September 2021 (Unaudited)</i>		
	<i>Insurance operations SAR '000</i>	<i>Shareholders' Operations SAR '000</i>	<i>Total SAR '000</i>
Balance at beginning of the period	53,479	2,984	56,463
Acquired through business combination (note 4)	-	4,979	4,979
Purchases during the period	60,000	175,000	235,000
Disposals during the period	(24,987)	(148,424)	(173,411)
Unrealized gain	812	1,824	2,636
Balance at the end of the period	<u>89,304</u>	<u>36,363</u>	<u>125,667</u>
	<i>31 December 2020 (Audited)</i>		
	<i>Insurance operations SAR '000</i>	<i>Shareholders' operations SAR '000</i>	<i>Total SAR '000</i>
Balance at beginning of the year	27,997	-	27,997
Purchases during the year	55,000	27,820	82,820
Disposals during the year	(29,965)	(25,198)	(55,163)
Unrealized gain	447	362	809
Balance at the end of the year	<u>53,479</u>	<u>2,984</u>	<u>56,463</u>

9. UNIT RESERVES

	<i>Nine-month period ended 30 September 2021 (Unaudited) SAR '000</i>	<i>Year ended 31 December 2020 (Audited) SAR '000</i>
Balance at beginning of the period / year	1,349,364	187,979
Investible premium	96,134	143,767
Insurance portfolio transfer	-	996,927
Surrenders	(97,573)	(112,937)
Maturities	(23,376)	(29,833)
Change in fair value of available for sale investments (note 7)	245,397	163,461
Balance at the end of the period / year	<u>1,569,946</u>	<u>1,349,364</u>

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10. MATHEMATICAL, PREMIUM DEFICIENCY AND OTHER TECHNICAL RESERVES

	<i>Nine-month period ended 30 September 2021 (Unaudited) SAR'000</i>	<i>Year ended 31 December 2020 (Audited) SAR'000</i>
Mathematical reserve (note 10.1)	5,940	9,160
Premium deficiency reserves (note 10.2)	8,146	-
Other technical reserves (note 10.3)	2,036	322
	16,122	9,482

Mathematical, premium deficiency, and other technical reserves are created, as per the report received from the Independent Actuary.

10.1 Mathematical reserve

	<i>Nine-month period ended 30 September 2021 (Unaudited) SAR'000</i>	<i>Year ended 31 December 2020 (Audited) SAR'000</i>
Balance at beginning of the period / year	9,160	360
Insurance portfolio transfer	-	10,980
Changes in mathematical reserve, net	(3,220)	(2,180)
Balance at the end of the period / year	5,940	9,160

10.2 Premium deficiency reserve

	<i>Nine-month period ended 30 September 2021 (Unaudited) SAR'000</i>	<i>Year ended 31 December 2020 (Audited) SAR'000</i>
Acquired through business combination (note 4)	19,244	-
Changes in premium deficiency reserve	(11,098)	-
Balance at the end of the period / year	8,146	-

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10. MATHEMATICAL AND OTHER RESERVES (continued)

10.3 Other technical reserves

	<i>Nine-month period ended 30 September 2021 (Unaudited) SAR'000</i>	<i>Year ended 31 December 2020 (Audited) SAR'000</i>
Balance at beginning of the period / year	322	-
Acquired through business combination (note 4)	18,544	-
Changes in other technical reserves, net	(16,830)	322
Balance at the end of the period / year	<u>2,036</u>	<u>322</u>

11. MOVEMENT IN UNEARNED PREMIUM

	<i>Nine-month period ended 30 September 2021 (Unaudited)</i>			<i>Year ended 31 December 2020 (Audited)</i>		
	<i>Gross</i>	<i>Reinsurers' share</i>	<i>Net</i>	<i>Gross</i>	<i>Reinsurers' share</i>	<i>Net</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
Balance at beginning of the period / year	34,533	(17,423)	17,110	35,087	(12,923)	22,164
Acquired through business combination (note 4)	106,795	(10,231)	96,564	-	-	-
Premium written / (ceded) during the period / year	192,933	(44,957)	147,976	233,934	(35,414)	198,520
	<u>334,261</u>	<u>(72,611)</u>	<u>261,650</u>	<u>269,021</u>	<u>(48,337)</u>	<u>220,684</u>
Investible premium and premium earned during the period / year	(281,596)	61,677	(219,919)	(234,488)	30,914	(203,574)
Balance at the end of the period / year	<u>52,665</u>	<u>(10,934)</u>	<u>41,731</u>	<u>34,533</u>	<u>(17,423)</u>	<u>17,110</u>

ALJAZIRA TAKAFUL TAAWUNI COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

At 30 September 2021

12. OUTSTANDING CLAIMS INCLUDING CLAIMS INCURRED BUT NOT REPORTED (IBNR)

	<i>Nine-month period ended</i> <i>30 September 2021 (Unaudited)</i>			<i>Year ended</i> <i>31 December 2020 (Audited)</i>		
	<i>Reinsurers'</i>			<i>Reinsurers'</i>		
	<i>Gross</i> <i>SAR'000</i>	<i>share</i> <i>SAR'000</i>	<i>Net</i> <i>SAR'000</i>	<i>Gross</i> <i>SAR'000</i>	<i>share</i> <i>SAR'000</i>	<i>Net</i> <i>SAR'000</i>
At beginning of the period / year						
Reported claims	49,226	(43,483)	5,743	33,525	(29,422)	4,103
IBNR	17,835	(15,164)	2,671	7,023	(5,669)	1,354
	<u>67,061</u>	<u>(58,647)</u>	<u>8,414</u>	<u>40,548</u>	<u>(35,091)</u>	<u>5,457</u>
Incurred during the period / year	135,464	(34,250)	101,214	50,711	(44,915)	5,796
Insurance portfolio transfer	-	-	-	4,941	(4,941)	-
Acquired through business combination (note 4)	94,004	(31,249)	62,755	-	-	-
(Paid) / recovered during the period / year	(140,584)	36,609	(103,975)	(29,139)	26,300	(2,839)
At end of the period / year	<u>155,945</u>	<u>(87,537)</u>	<u>68,408</u>	<u>67,061</u>	<u>(58,647)</u>	<u>8,414</u>
At end of the period / year						
Reported claims	90,874	(62,015)	28,859	49,226	(43,483)	5,743
IBNR	65,071	(25,522)	39,549	17,835	(15,164)	2,671
	<u>155,945</u>	<u>(87,537)</u>	<u>68,408</u>	<u>67,061</u>	<u>(58,647)</u>	<u>8,414</u>

12.1 Outstanding claims including claims incurred but not reported comprise estimated amount payable in respect of claims reported to the Company and those not reported at the statement of financial position, net of recoveries booked.

13. RELATED PARTIES

The Company in the normal course of business, enters into transactions with other entities that fall within the definition of the related party contained in the International Accounting Standard (IAS) – 24. 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 approved by management.

13.1 In addition to the disclosures set out in notes 5, 6, 7 and 8 following are the details of major related party transactions during the nine-month period ended:

<i>Related parties</i>	<i>Nature of transaction</i>	<i>Amount of transactions</i>	
		<i>30 September</i> <i>2021</i> <i>SAR'000</i>	<i>30 September</i> <i>2020</i> <i>SAR'000</i>
<i>Bank AlJazira</i>	Commission earned from held to maturity	-	4,136
	Investment	-	37
	Commission income on deposits	-	5,588
	Gross written premium	5,544	16,300
	Claims paid	19,714	53,552
	Insurance portfolio transfer	-	1,692
	Investment in equity shares	371	567
	Disposal of equity shares	-	-
	Dividend received	7	-
<i>AlJazira Capital</i>	Profit earned on mutual funds	1,674	461
<i>Aman Insurance Agency Company</i>	Commission	-	5,735
<i>Board of directors and committee Members</i>	Gross written premium	39	42
<i>Key management personnel</i>	Salaries, benefits and allowances, net	4,550	5,512
	Gross written premium	43	52

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13. RELATED PARTIES (continued)

13.2 Amount due from a related party

	30 September 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000
AlJazira Capital (note 13.2.1)	60,348	26
	<u>60,348</u>	<u>26</u>

13.2.1 This amount represents cash held in investment accounts managed by Al Jazira Capital. The Company is in process of finalizing the legal documentation to transfer accounts in the name of Solidarity to the Company's name.

13.3 Amount due to a related party

	30 September 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000
Solidarity Group Holding (Bahrain Shareholding Company)	984	-
	<u>984</u>	<u>-</u>

13.4 Premium receivable, net shown in the condensed statement of financial position includes SAR 6,665 thousand (31 December 2020: SAR 2,356 thousand) from Bank AlJazira (the founding shareholder).

13.5 Reinsurance balances payable shown in the condensed statement of financial position includes SAR 2,595 thousand (31 December 2020: SAR Nil) to a subsidiary of Solidarity Group Holding (Bahrain Shareholding Company).

13.6 Outstanding claims shown in the condensed statement of financial position includes SAR 43,291 thousand (31 December 2020: SAR 41,250 thousand) to Bank AlJazira (the founding shareholder).

14 ZAKAT AND INCOME TAX

The Zakat and income tax payable by the Company has been calculated in accordance with Zakat and income tax regulations in the Kingdom of Saudi Arabia. The movement in the Zakat and income tax payable during the nine-month period ended 30 September 2021 and year ended 31 December 2020 is as follows:

14.1 Zakat

	30 September 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000
Balance at the beginning of period / year	1,137	982
Acquired through business combination (note 4)	4,119	-
Zakat for the period / year	1,128	1,109
Zakat paid during the period / year	(2,908)	(954)
	<u>3,476</u>	<u>1,137</u>
Balance at the end of the period / year	<u>3,476</u>	<u>1,137</u>

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At 30 September 2021

14. ZAKAT AND INCOME TAX (continued)

14.2 Income tax

	30 September 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000
Balance at the beginning of period / year	145	128
Acquired through business combination (note 4)	(721)	-
Income tax for the period / year	61	116
Income tax paid during the period / year	(119)	(99)
Balance at the end of the period / year	(634)	145
Total Zakat and income tax	2,842	1,282

Status of assessments

The Company has submitted its Zakat and income tax returns for the years 2014 to 2020 with Zakat, Tax and Customs Authority (Formerly known as "the General Authority of Zakat and Income Tax") ("Authority" or "ZATCA") and obtained restricted certificates.

During 2019, ZATCA has issued initial assessments for the years 2014 through 2018, disallowing investments from the Zakat base and withholding tax liability with additional Zakat liability of SAR 41,166 thousand. The Company has filed an appeal against these initial assessments. The Preliminary Appeal Committee ("PAC") issued their decision upholding ZATCA's treatment. The Company has filed an appeal against the PAC decision with the Higher Appeal Committee ("HAC"). The management and their independent Zakat and income tax consultant strongly believe that the Company is in a strong position with respect to the aforementioned appeal.

In addition, Solidarity has also submitted its Zakat and income tax returns for the years 2014 to 2020 with ZATCA and obtained restricted certificates. During the previous years, ZATCA has issued the following initial assessments in respect of Solidarity:

- Income tax, zakat and withholding tax for the years amounting to SAR 18.5 million;
- Zakat and income tax assessment for the years from 2013 to 2016 amounting to SAR 22.1 million;
- Withholding tax assessment for 2017 and 2018 amounting to SAR 1.9 million;
- VAT assessment for the year 2018 and for November and December 2019 amounting to SAR 2.8 million;
- Zakat assessment for the year 2017 amounting to SAR 4.2 million.

Solidarity has filed an appeal against these initial assessments and is confident of a favorable outcome. The management of the Company and their independent Zakat and income tax consultant strongly believe that Solidarity is in a strong position with respect to the aforementioned appeal.

15 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 / year end. Diluted earnings per share is not applicable to the Company.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
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16 STATUTORY DEPOSIT

As required by the Implementation Regulations, the Company is required to deposit 10% of its paid-up capital in a bank designated by SAMA which amounted to SAR 47,066 thousand as at 30 September 2021. As a result of the merger of the Company and Solidarity, the Company deposited an additional amount of SAR 12,066 thousand to meet the requirements of implementing regulations. The amount of statutory deposit cannot be withdrawn without SAMA's approval. This deposit is held with Bank AlJazira "the founding shareholder".

17 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 and cash equivalents, premium receivable, due from reinsurers, available for sale investments held to cover unit-linked liabilities, FVIS investments, held to maturity investments, other receivables, and its financial liabilities consist of other liabilities, reinsurance balances payable, lease liabilities, due to a related party, payable to agents policyholders and claimants, and outstanding claims. The fair values of financial instruments are not materially different from their carrying values. As at 30 September 2021, apart from the investments which are carried at fair value (note 6 and 7), there were no other financial instruments held by the Company that were measured at fair value.

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

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

		30 September 2021 (SAR'000)				
		<u>Fair value (Unaudited)</u>				
	<u>Carrying value</u>	<u>Amortised cost</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets measured at fair value:						
Available for sale investments held to cover unit-linked liabilities	1,567,210	-	-	1,567,210	-	1,567,210
Held to maturity investments	466,599	466,599	-	457,792	-	457,792
FVIS investments	125,667	-	3,591	120,153	1,923	125,667
Total	2,159,476	466,599	3,591	2,145,155	1,923	2,150,669

		31 December 2020 (SAR'000)				
		<u>Fair value (Audited)</u>				
	<u>Carrying value</u>	<u>Amortised cost</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets measured at fair value:						
Available for sale investments held to cover unit-linked liabilities	1,343,823	-	-	1,343,823	-	1,343,823
Held to maturity investments	395,348	227,574	167,774	238,497	-	406,271
FVIS investments	56,463	-	2,984	53,479	-	56,463
Total	1,795,634	227,574	170,758	1,635,799	-	1,806,557

There are no transfers between Level 1, Level 2 and Level 3 during the period / year.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

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18 OPERATING SEGMENT INFORMATION

Operating segments are reported in a 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 the 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 four business units, as detailed below:

The medical segment offers comprehensive medical care to the members of organizations and their dependents on a group basis and individuals in a wide network of hospitals and medical centers throughout the Kingdom of Saudi Arabia.

The Motor Segment offers Third-Party Liability Vehicle Insurance product, which solely covers the amounts payable to third parties by the insured and a Vehicle comprehensive Insurance product, which covers all losses or damages incurred to the vehicle, including third party liability.

The general segment offers Fire and property insurance products, Marine insurance products, Engineering insurance products, Other liability insurance contracts, and others.

Life segment offers life insurance products on an individual basis, including unit-linked investment-oriented products to individuals and offers life protection programmers to the members of organizations on a group basis, and credit protection benefits in respect of personal loan given by financing organization. This segment also includes protection benefits in respect of various credit facilities other than personal loans extended by the financing organizations to its customers.

The unallocated assets and liabilities are not reported to the Chief Operating Decision Maker under related segments and are monitored on a centralized basis.

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
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18. OPERATING SEGMENT INFORMATION (continued)

	As at 30 September 2021 (Unaudited)					
	Medical	Motor	General	Individual Life	Group Life	Total
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
ASSETS						
Reinsurers' share of unearned premium	-	-	8,856	-	2,078	10,934
Reinsurers' share of outstanding claims	2,969	2,215	11,595	5,052	40,184	62,015
Reinsurers' share of claims incurred but not reported	-	-	7,357	-	18,165	25,522
Deferred policy acquisition costs	2,425	487	711	-	40	3,663
Available for sale investments held to cover unit-linked liabilities	-	-	-	1,567,210	-	1,567,210
Total segment assets	5,394	2,702	28,519	1,572,262	60,467	1,669,344
Unallocated assets						
Cash and cash equivalents						140,451
Premium receivable, net						31,625
Due from reinsurers, net						5,686
Investments						592,266
Due from related party						60,348
Prepayments and other assets						25,522
Property and equipment						4,550
Intangible assets						3,922
Right of use assets						6,865
Goodwill						232,948
Statutory deposit						47,066
Total assets						2,820,593
LIABILITIES						
Unearned reinsurance commission	-	-	890	-	-	890
Unearned premium	28,663	9,330	11,377	-	3,295	52,665
Outstanding claims	9,888	10,787	18,484	5,570	46,145	90,874
Claims incurred but not reported	15,951	18,488	9,056	-	21,576	65,071
Premium deficiency reserve	7,013	-	1,133	-	-	8,146
Unit reserves	-	-	-	1,569,946	-	1,569,946
Mathematical reserve	-	-	-	5,940	-	5,940
Other technical reserves	1,776	-	-	-	260	2,036
Total segment liabilities	63,291	38,605	40,940	1,581,456	71,276	1,795,568
Unallocated liabilities and surplus						
Reinsurance balances payable						13,204
Accrued expenses and other liabilities						137,226
Lease liabilities						5,028
Payable to agents, policyholders and claimants						31,456
Employee benefits						6,160
Zakat and income tax						2,842
Due to a related party						984
Surplus from Insurance Operations						17,294
TOTAL LIABILITIES						2,009,762
EQUITY						
Share capital						470,664
Share Premium						197,286
Statutory reserve						38,348
Retained earnings						104,945
TOTAL SHAREHOLDERS' EQUITY						811,243
Remeasurement reserve of employee benefits - related to Insurance Operations						(412)
TOTAL EQUITY						810,831
TOTAL LIABILITIES AND EQUITY						2,820,593

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18. OPERATING SEGMENT INFORMATION (continued)

	31 December 2020 (Audited)		
	Individual Life SAR'000	Group Life SAR'000	Total SAR'000
ASSETS			
Premium receivable, net	-	2,503	2,503
Reinsurers' share of unearned premium	-	17,423	17,423
Reinsurers' share of outstanding claims	6,212	37,271	43,483
Reinsurers' share of claims incurred but not reported	-	15,164	15,164
Available for sale investments held to cover unit link liabilities	1,343,823	-	1,343,823
	<u>1,350,035</u>	<u>72,361</u>	<u>1,422,396</u>
Unallocated assets:			
Cash and cash equivalents			106,032
Investments			451,811
Due from a related party			26
Prepayments and other assets			3,760
Property and equipment			1,730
Statutory deposit			35,000
TOTAL ASSETS			<u><u>2,020,755</u></u>
LIABILITIES			
Reinsurance balances payable	1,333	13,967	15,300
Unearned premium	-	34,533	34,533
Outstanding claims	6,439	42,787	49,226
Claims incurred but not reported	-	17,835	17,835
Unit reserve	1,349,364	-	1,349,364
Mathematical reserve	9,160	-	9,160
Other technical reserves	322	-	322
	<u>1,366,618</u>	<u>109,122</u>	<u>1,475,740</u>
Unallocated liabilities and surplus:			
Accrued expenses and other liabilities			51,430
Employee benefits			3,518
Zakat and income tax			1,282
Surplus from Insurance Operations			15,837
TOTAL LIABILITIES			<u><u>1,547,807</u></u>
EQUITY			
Share capital			350,000
Statutory reserve			38,348
Retained earnings			85,012
TOTAL SHAREHOLDERS' EQUITY			<u>473,360</u>
Remeasurement reserve of defined benefit obligation - related to insurance operations			(412)
TOTAL EQUITY			<u><u>472,948</u></u>
TOTAL LIABILITIES AND EQUITY			<u><u>2,020,755</u></u>

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18. OPERATING SEGMENT INFORMATION (continued)

	For the three-month period ended 30 September 2021 (Unaudited)					
	Medical	Motor	General	Individual Life	Group Life	Total Insurance Operations
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
REVENUES						
Gross written premium:						
Individual	-	3,775	206	43,028	-	47,009
Very Small Enterprises	4,522	-	-	-	-	4,522
Small Enterprises	5,792	14	-	-	43	5,849
Medium Enterprises	4,695	1,197	6,321	-	76	12,289
Corporate	4,058	-	-	-	359	4,417
Total gross written premium	19,067	4,986	6,527	43,028	478	74,086
Investible premium	-	-	-	(33,223)	-	(33,223)
Reinsurance premium ceded:						
Local	-	-	(250)	-	-	(250)
Foreign	-	-	(5,506)	(2,836)	(142)	(8,484)
Excess of loss expense	(8,066)	(805)	(327)	-	-	(9,198)
Net premium written	11,001	4,181	444	6,969	336	22,931
Change in unearned premium, net	4,157	3,046	149	-	6,243	13,595
Net premium earned	15,158	7,227	593	6,969	6,579	36,526
Reinsurance commission earned	-	-	573	-	-	573
Other underwriting income	4,639	24	1	2,997	1,493	9,154
TOTAL REVENUES	19,797	7,251	1,167	9,966	8,072	46,253
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(28,806)	(10,642)	(322)	(817)	(10,937)	(51,524)
Reinsurers' share of claims paid	5,150	(18)	17	805	9,072	15,026
Net claims paid	(23,656)	(10,660)	(305)	(12)	(1,865)	(36,498)
Changes in outstanding claims, net	9,063	(151)	(155)	(211)	468	9,014
Changes in claims incurred but not reported, net	(1,207)	1,696	(32)	-	(331)	126
Net claims incurred	(15,800)	(9,115)	(492)	(223)	(1,728)	(27,358)
Changes in mathematical reserve	-	-	-	21	-	21
Changes in premium deficiency reserve	2,016	-	(12)	-	442	2,446
Change in other technical reserve	-	-	-	61	30	91
Policy acquisition costs	(2,153)	(498)	(446)	(191)	(142)	(3,430)
Other direct underwriting expenses	(1,235)	(630)	(184)	-	(176)	(2,225)
TOTAL UNDERWRITING COSTS AND EXPENSES	(17,172)	(10,243)	(1,134)	(332)	(1,574)	(30,455)
NET UNDERWRITING (LOSS) / INCOME	2,625	(2,992)	33	9,634	6,498	15,798
OTHER OPERATING INCOME / (EXPENSES)						
Impairment loss on premium receivable						(912)
General and administrative expenses						(16,596)
Commission from held to maturity investments						3,120
Commission income on deposits						258
Unrealized gain on FVIS investments						688
Realized gain on FVIS investments						72
Dividends from FVIS investments						38
Other income						3,299
TOTAL OTHER OPERATING EXPENSES, NET						(10,033)
Income before surplus, Zakat and income tax						5,765
Net income attributed to the Insurance Operations						(404)
Income for the period attributable to the shareholders' before Zakat and income tax						5,361
Zakat						(704)
Income tax						(20)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS'						4,637

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18. OPERATING SEGMENT INFORMATION (continued)

	<i>For the three-month period ended 30 September 2020 (Unaudited)</i>		
	<i>Individual life SAR'000</i>	<i>Group life SAR'000</i>	<i>Total SAR'000</i>
REVENUE			
Gross written premium:			
Individual	59,456	-	59,456
Small Enterprises	-	34	34
Medium Enterprises	-	57	57
Corporate	-	1,157	1,157
Total gross written premium	59,456	1,248	60,704
Investible premium	(49,077)	-	(49,077)
Reinsurance premium ceded:			
Foreign	(2,725)	(264)	(2,989)
Net written premium	7,654	984	8,638
Changes in unearned premium, net	-	7,393	7,393
Net premium earned	7,654	8,377	16,031
Other underwriting income	377	-	377
TOTAL REVENUES	8,031	8,377	16,408
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(1,312)	(9,774)	(11,086)
Reinsurers' share of claims paid	1,062	8,814	9,876
Net claims paid	(250)	(960)	(1,210)
Changes in outstanding claims, net	(44)	(23)	(67)
Changes in claims incurred but not reported, net	-	1,147	1,147
Net claims incurred	(294)	164	(130)
Changes in mathematical reserve	(86)	-	(86)
Changes in other technical reserves	35	-	35
Policy acquisition costs	(2,517)	(30)	(2,547)
Supervision and inspection fees	(297)	(6)	(303)
TOTAL UNDERWRITING COSTS AND EXPENSES	(3,159)	128	(3,031)
NET UNDERWRITING INCOME	4,872	8,505	13,377
OTHER OPERATING (EXPENSES) / INCOME			
Impairment reversal on premium receivable			664
General and administrative expenses			(11,047)
Commission from held to maturity Investments			2,979
Commission income on deposits			26
Unrealized gain on FVIS investments			651
Realized loss on FVIS investments			(1)
Dividends from FVIS investments			-
Other income			2,094
TOTAL OTHER OPERATING EXPENSES, NET			(4,634)
Income before surplus, Zakat and income tax			8,743
Net income attributed to the Insurance Operations			(851)
Income for the period attributable to the shareholders' before Zakat and income tax			7,892
Zakat			(206)
Income tax			(20)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS'			7,666

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18. OPERATING SEGMENT INFORMATION (continued)

	For the nine-month period ended 30 September 2021 (Unaudited)					
	Medical	Motor	General	Individual Life	Group Life	Total Insurance Operations
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
REVENUES						
Gross written premium:						
Individual	-	9,240	640	127,607	-	137,487
Very Small Enterprises	6,756	-	-	-	-	6,756
Small Enterprises	11,062	14	-	-	221	11,297
Medium Enterprises	10,351	2,496	12,553	-	104	25,504
Corporate	5,731	-	-	-	6,158	11,889
Total gross written premium	33,900	11,750	13,193	127,607	6,483	192,933
Investible premium	-	-	-	(96,134)	-	(96,134)
Reinsurance premium ceded:						
Local	-	-	(349)	-	-	(349)
Foreign	-	-	(11,132)	(8,375)	(3,645)	(23,152)
Excess of loss expenses	(17,189)	(3,384)	(883)	-	-	(21,456)
Net premium written	16,711	8,366	829	23,098	2,838	51,842
Change in unearned premium, net	40,053	14,743	556	-	16,591	71,943
Net premiums earned	56,764	23,109	1,385	23,098	19,429	123,785
Reinsurance commission earned	-	-	1,446	-	-	1,446
Other underwriting income	8,039	24	1	9,146	1,493	18,703
TOTAL REVENUES	64,803	23,133	2,832	32,244	20,922	143,934
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(81,676)	(34,361)	(414)	(2,918)	(21,215)	(140,584)
Reinsurers' share of claims paid	15,963	178	93	2,818	17,557	36,609
Net claims paid	(65,713)	(34,183)	(321)	(100)	(3,658)	(103,975)
Changes in outstanding claims, net	7,588	828	(392)	(291)	(304)	7,429
Changes in claims incurred but not reported, net	9,987	(14,659)	388	-	(384)	(4,668)
Net claims incurred	(48,138)	(48,014)	(325)	(391)	(4,346)	(101,214)
Changes in mathematical reserve	-	-	-	3,220	-	3,220
Changes in premium deficiency reserve	1,987	10,243	(1,132)	-	-	11,098
Changes in other technical reserve	16,769	-	-	61	-	16,830
Policy acquisition costs	(6,608)	(1,145)	(1,236)	(983)	(401)	(10,373)
Supervision and inspection fees	(114)	(5)	(1)	(191)	(31)	(342)
Other direct underwriting expenses	(3,605)	(4,544)	(376)	-	(359)	(8,884)
TOTAL UNDERWRITING COSTS AND EXPENSES	(39,709)	(43,465)	(3,070)	1,716	(5,137)	(89,665)
NET UNDERWRITING INCOME / (LOSS)	25,094	(20,332)	(238)	33,960	15,785	54,269
OTHER OPERATING INCOME / (EXPENSES)						
Impairment loss on premium receivable						(1,568)
General and administrative expenses						(50,618)
Commission from held to maturity investments						8,359
Commission income on deposits						635
Unrealized gain on FVIS investments						2,636
Realized gain on FVIS investments						73
Dividends from FVIS investments						99
Other income						8,914
TOTAL OTHER OPERATING EXPENSES, NET						(31,470)
Income before surplus, Zakat and income tax						22,799
Net income attributed to the Insurance Operations						(1,677)
Income for the period attributable to the shareholders' before zakat and income tax						21,122
Zakat						(1,128)
Income tax						(61)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS'						19,933

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
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18. OPERATING SEGMENT INFORMATION (continued)

	For the nine-month period ended 30 September 2020 (Unaudited)		
	Individual life SAR '000	Group life SAR '000	Total SAR '000
REVENUE			
Gross written premium:			
Individual	140,910	-	140,910
Small Enterprises	-	34	34
Medium Enterprises	-	60	60
Corporate	-	5,804	5,804
Total gross written premium	140,910	5,898	146,808
Investible premium	(115,296)	-	(115,296)
Reinsurance premium ceded:			
Foreign	(8,157)	(2,270)	(10,427)
Net premium written	17,457	3,628	21,085
Change in unearned premium, net	-	20,661	20,661
Net premium earned	17,457	24,289	41,746
Other underwriting income	19,131	-	19,131
TOTAL REVENUES	36,588	24,289	60,877
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(2,172)	(16,323)	(18,495)
Reinsurers' share of claims paid	1,880	14,383	16,263
Net claims paid	(292)	(1,940)	(2,232)
Changes in outstanding claims, net	(23)	(308)	(331)
Changes in claims incurred but not reported, net	-	251	251
Net claims incurred	(315)	(1,997)	(2,312)
Changes in mathematical reserve	2,489	-	2,489
Changes in other technical reserves	(584)	-	(584)
Policy acquisition costs	(6,964)	(77)	(7,041)
Supervision and inspection fees	(705)	(29)	(734)
TOTAL UNDERWRITING COSTS AND EXPENSES	(6,079)	(2,103)	(8,182)
NET UNDERWRITING INCOME	30,509	22,186	52,695
OTHER OPERATING (EXPENSES) / INCOME			
Impairment reversal on premium receivable			53
General and administrative expenses			(31,978)
Commission from held to maturity investments			8,945
Commission income on deposits			37
Unrealized gain on FVIS investments			875
Realized gain on FVIS investments			1,543
Dividends from FVIS investments			220
Other income			6,569
TOTAL OTHER OPERATING EXPENSES, NET			(13,736)
Income before surplus, Zakat and income tax			38,959
Net income attributed to the Insurance Operations			(3,515)
Income for the period attributable to the shareholders' before Zakat and income tax			35,444
Zakat			(978)
Income tax			(101)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS'			34,365

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
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19 SUPPLEMENTARY INFORMATION

a) CONDENSED STATEMENT OF FINANCIAL POSITION

	<i>Insurance operations SAR'000</i>	<i>Shareholders' operations SAR'000</i>	<i>30 September 2021 (Unaudited) SAR'000</i>	<i>Insurance operations SAR'000</i>	<i>Shareholders' operations SAR'000</i>	<i>31 December 2020 (Audited) SAR'000</i>
ASSETS						
Cash and cash equivalents	81,665	58,786	140,451	72,500	33,532	106,032
Premium receivable, net	31,625	-	31,625	2,503	-	2,503
Due from reinsurers, net	5,686	-	5,686	-	-	-
Reinsurers' share of unearned premium	10,934	-	10,934	17,423	-	17,423
Reinsurers' share of outstanding claims	62,015	-	62,015	43,483	-	43,483
Reinsurers' share of claims incurred but not reported	25,522	-	25,522	15,164	-	15,164
Deferred policy acquisition costs	3,663	-	3,663	-	-	-
Available for sale investments held to cover unit-linked liabilities	1,567,210	-	1,567,210	1,343,823	-	1,343,823
Investments	89,304	502,962	592,266	69,849	381,962	451,811
Due from a related party	-	60,348	60,348	-	26	26
Prepayments and other assets	24,614	908	25,522	3,760	-	3,760
Property and equipment	4,550	-	4,550	1,730	-	1,730
Intangible assets	3,922	-	3,922	-	-	-
Right of use assets	6,865	-	6,865	-	-	-
Goodwill	-	232,948	232,948	-	-	-
Statutory deposit	-	47,066	47,066	-	35,000	35,000
Due from Shareholders' / Insurance operations	32,761	-	32,761	-	31,674	31,674
	<u>1,950,336</u>	<u>903,018</u>	<u>2,853,354</u>	<u>1,570,235</u>	<u>482,194</u>	<u>2,052,429</u>
Less: Inter-operations eliminations	(32,761)	-	(32,761)	-	(31,674)	(31,674)
TOTAL ASSETS	<u>1,917,575</u>	<u>903,018</u>	<u>2,820,593</u>	<u>1,570,235</u>	<u>450,520</u>	<u>2,020,755</u>
LIABILITIES						
Accrued expenses and other liabilities	81,892	55,334	137,226	43,878	7,552	51,430
Lease liabilities	5,028	-	5,028	-	-	-
Payable to agents, policyholders and claimants	31,456	-	31,456	-	-	-
Unearned reinsurance commission	890	-	890	-	-	-
Reinsurance balances payable	13,204	-	13,204	15,300	-	15,300
Unearned premium	52,665	-	52,665	34,533	-	34,533
Outstanding claims	90,874	-	90,874	49,226	-	49,226
Claims incurred but not reported	65,071	-	65,071	17,835	-	17,835
Premium deficiency reserve	8,146	-	8,146	-	-	-
Unit reserves	1,569,946	-	1,569,946	1,349,364	-	1,349,364
Mathematical reserve	5,940	-	5,940	9,160	-	9,160
Other technical reserves	2,036	-	2,036	322	-	322
Employee benefits	6,160	-	6,160	3,518	-	3,518
Zakat and income tax	-	2,842	2,842	-	1,282	1,282
Due to a related party	146	838	984	-	-	-
Surplus from Insurance Operations	17,294	-	17,294	15,837	-	15,837
Due to Shareholders' / Insurance operations	-	32,761	32,761	31,674	-	31,674
	<u>1,950,748</u>	<u>91,775</u>	<u>2,042,523</u>	<u>1,570,647</u>	<u>8,834</u>	<u>1,579,481</u>
Less: Inter-operations eliminations	-	(32,761)	(32,761)	(31,674)	-	(31,674)
TOTAL LIABILITIES	<u>1,950,748</u>	<u>59,014</u>	<u>2,009,762</u>	<u>1,538,973</u>	<u>8,834</u>	<u>1,547,807</u>
EQUITY						
Share capital	-	470,664	470,664	-	350,000	350,000
Share premium	-	197,286	197,286	-	-	-
Statutory reserve	-	38,348	38,348	-	38,348	38,348
Retained earnings	-	104,945	104,945	-	85,012	85,012
Re-measurement reserve of employee benefits – related to Insurance Operations	(412)	-	(412)	(412)	-	(412)
TOTAL EQUITY	<u>(412)</u>	<u>811,243</u>	<u>810,831</u>	<u>(412)</u>	<u>473,360</u>	<u>472,948</u>
TOTAL LIABILITIES AND EQUITY	<u>1,950,336</u>	<u>870,257</u>	<u>2,820,593</u>	<u>1,538,561</u>	<u>482,194</u>	<u>2,020,755</u>

ALJAZIRA TAKAFUL TAAWUNI COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
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19. SUPPLEMENTARY INFORMATION (continued)

b) CONDENSED STATEMENT OF INCOME

	<i>Three-month period ended 30 September (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2021</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2020</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
REVENUE						
Gross written premium	74,086	-	74,086	60,704	-	60,704
Investible premium	(33,223)	-	(33,223)	(49,077)	-	(49,077)
Reinsurance premium ceded:						
Local	(250)	-	(250)	-	-	-
Foreign	(8,484)	-	(8,484)	(2,989)	-	(2,989)
Excess of loss expenses	(9,198)	-	(9,198)	-	-	-
Net premium written	22,931	-	22,931	8,638	-	8,638
Change in unearned premium, net	13,595	-	13,595	7,393	-	7,393
Net premium earned	36,526	-	36,526	16,031	-	16,031
Reinsurance commission earned	573	-	573	-	-	-
Other underwriting income	9,154	-	9,154	377	-	377
TOTAL REVENUES	46,253	-	46,253	16,408	-	16,408
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(51,524)	-	(51,524)	(11,086)	-	(11,086)
Reinsurers' share of claims paid	15,026	-	15,026	9,876	-	9,876
Net claims paid	(36,498)	-	(36,498)	(1,210)	-	(1,210)
Changes in outstanding claims, net	9,014	-	9,014	(67)	-	(67)
Changes in claims incurred but not reported, net	126	-	126	1,147	-	1,147
Net claims incurred	(27,358)	-	(27,358)	(130)	-	(130)
Changes in mathematical reserve	21	-	21	(86)	-	(86)
Changes in Premium deficiency reserves	2,446	-	2,446	-	-	-
Changes in other technical reserves	91	-	91	35	-	35
Policy acquisition costs	(3,430)	-	(3,430)	(2,547)	-	(2,547)
Supervision and inspection fees	-	-	-	(303)	-	(303)
Other direct underwriting expenses	(2,225)	-	(2,225)	-	-	-
TOTAL UNDERWRITING COSTS AND EXPENSES	(30,455)	-	(30,455)	(3,031)	-	(3,031)
NET UNDERWRITING INCOME	15,798	-	15,798	13,377	-	13,377
OTHER OPERATING (EXPENSES)/ INCOME						
Impairment (loss) / reversal on premium receivable	(912)	-	(912)	664	-	664
General and administrative expenses	(14,403)	(2,193)	(16,596)	(7,955)	(3,092)	(11,047)
Commission from held to maturity investments	1	3,119	3,120	115	2,864	2,979
Commission income on deposits	4	254	258	26	-	26
Unrealized gain on FVIS investments	244	444	688	184	467	651
Realized gain / (loss) on FVIS investments	11	61	72	-	(1)	(1)
Dividends from FVIS investments	-	38	38	-	-	-
Other income	3,299	-	3,299	2,093	1	2,094
TOTAL OTHER OPERATING (EXPENSES) INCOME	(11,756)	1,723	(10,033)	(4,873)	239	(4,634)

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
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19. SUPPLEMENTARY INFORMATION (continued)

b) CONDENSED STATEMENT OF INCOME (continued)

	<i>Three-month period ended 30 September (Unaudited)</i>					
	<i>Insurance operations SAR'000</i>	<i>Shareholders' operations SAR'000</i>	<i>2021 SAR'000</i>	<i>Insurance operations SAR'000</i>	<i>Shareholders' operations SAR'000</i>	<i>2020 SAR'000</i>
NET SURPLUS FROM OPERATIONS	4,042	1,723	5,765	8,504	239	8,743
Surplus transferred to Shareholders'	(3,638)	3,638	-	(7,653)	7,653	-
NET INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX	404	5,361	5,765	851	7,892	8,743
Zakat	-	(704)	(704)	-	(206)	(206)
Income tax	-	(20)	(20)	-	(20)	(20)
NET INCOME FOR THE PERIOD	404	4,637	5,041	851	7,666	8,517
Weighted average number of ordinary shares outstanding (in thousands of shares)	-	47,066	-	-	35,000	-
Earnings per share for the period (SAR / share) (Basic and diluted)	-	0.099	-	-	0.219	-

c) CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME

	<i>Three-month period ended 30 September (Unaudited)</i>					
	<i>Insurance operations SAR'000</i>	<i>Shareholders' operations SAR'000</i>	<i>2021 SAR'000</i>	<i>Insurance operations SAR'000</i>	<i>Shareholders' operations SAR'000</i>	<i>2020 SAR'000</i>
NET INCOME FOR THE PERIOD	404	4,637	5,041	851	7,666	8,517
Other comprehensive income	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	404	4,637	5,041	851	7,666	8,517

Share of insurance operations surplus split in the ratio of 90/10 between shareholders' and insurance operations and presented separately as an expense in condensed statement of income (refer note 19 (b) and (d)).

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2021

19. SUPPLEMENTARY INFORMATION (continued)

d) CONDENSED STATEMENT OF INCOME

	<i>Nine-month period ended 30 September (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2021</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2020</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
REVENUE						
Gross written premium	192,933	-	192,933	146,808	-	146,808
Investible premium	(96,134)	-	(96,134)	(115,296)	-	(115,296)
Reinsurance premium ceded:						
Local	(349)	-	(349)	-	-	-
Foreign	(23,152)	-	(23,152)	(10,427)	-	(10,427)
Excess of loss expenses	(21,456)	-	(21,456)	-	-	-
Net premium written	51,842	-	51,842	21,085	-	21,085
Change in unearned premium, net	71,943	-	71,943	20,661	-	20,661
Net premium earned	123,785	-	123,785	41,746	-	41,746
Reinsurance commission earned	1,446	-	1,446	-	-	-
Other underwriting income	18,703	-	18,703	19,131	-	19,131
TOTAL REVENUES	143,934	-	143,934	60,877	-	60,877
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(140,584)	-	(140,584)	(18,495)	-	(18,495)
Reinsurers' share of claims paid	36,609	-	36,609	16,263	-	16,263
Net claims paid	(103,975)	-	(103,975)	(2,232)	-	(2,232)
Changes in outstanding claims, net	7,429	-	7,429	(331)	-	(331)
Changes in claims incurred but not reported, net	(4,668)	-	(4,668)	251	-	251
Net claims incurred	(101,214)	-	(101,214)	(2,312)	-	(2,312)
Changes in mathematical reserve	3,220	-	3,220	2,489	-	2,489
Changes in Premium deficiency reserves	11,098	-	11,098	-	-	-
Changes in other technical reserves	16,830	-	16,830	(584)	-	(584)
Policy acquisition costs	(10,373)	-	(10,373)	(7,041)	-	(7,041)
Supervision and inspection fees	(342)	-	(342)	(734)	-	(734)
Other direct underwriting expenses	(8,884)	-	(8,884)	-	-	-
TOTAL UNDERWRITING COSTS AND EXPENSES	(89,665)	-	(89,665)	(8,182)	-	(8,182)
NET UNDERWRITING INCOME	54,269	-	54,269	52,695	-	52,695
OTHER OPERATING (EXPENSES)/ INCOME						
Impairment (loss) / reversal on premium receivable	(1,568)	-	(1,568)	53	-	53
General and administrative expenses	(45,637)	(4,981)	(50,618)	(24,994)	(6,984)	(31,978)
Commission from held to maturity investments	11	8,348	8,359	342	8,603	8,945
Commission income on deposits	10	625	635	37	-	37
Unrealized gain on FVIS investments	812	1,824	2,636	446	429	875
Realized gain on FVIS investments	12	61	73	-	1,543	1,543
Dividends from FVIS investments	-	99	99	-	220	220
Other income	8,866	48	8,914	6,567	2	6,569
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(37,494)	6,024	(31,470)	(17,549)	3,813	(13,736)

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
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19. SUPPLEMENTARY INFORMATION (continued)

d) CONDENSED STATEMENT OF INCOME (continued)

	<i>Nine-month period ended 30 September (Unaudited)</i>					
	<i>Insurance operations SAR'000</i>	<i>Shareholders' operations SAR'000</i>	<i>2021 SAR'000</i>	<i>Insurance operations SAR'000</i>	<i>Shareholders' operations SAR'000</i>	<i>2020 SAR'000</i>
NET SURPLUS FROM OPERATIONS	16,775	6,024	22,799	35,146	3,813	38,959
Surplus transferred to Shareholders	(15,098)	15,098	-	(31,631)	31,631	-
NET INCOME FOR THE PERIOD						
BEFORE ZAKAT AND INCOME TAX	1,677	21,122	22,799	3,515	35,444	38,959
Zakat	-	(1,128)	(1,128)	-	(978)	(978)
Income Tax	-	(61)	(61)	-	(101)	(101)
NET INCOME FOR THE PERIOD	1,677	19,933	21,610	3,515	34,365	37,880
Weighted average number of ordinary shares outstanding (in thousands of shares)	-	44,385	-	-	35,000	-
Earnings per share for the period (SAR / share) (Basic and diluted)	-	0.449	-	-	0.982	-

e) CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME

	<i>Nine-month period ended 30 September (Unaudited)</i>					
	<i>Insurance operations SAR'000</i>	<i>Shareholders' operations SAR'000</i>	<i>2021 SAR'000</i>	<i>Insurance operations SAR'000</i>	<i>Shareholders' operations SAR'000</i>	<i>2020 SAR'000</i>
NET INCOME FOR THE PERIOD	1,677	19,933	21,610	3,515	34,365	37,880
Other comprehensive income	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,677	19,933	21,610	3,515	34,365	37,880

Share of insurance operations surplus split in the ratio of 90/10 between shareholders' and insurance operations and presented separately as an expense in condensed statement of income (refer note 19 (b) and (d)).

ALJAZIRA TAKAFUL TAAWUNI COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
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19. SUPPLEMENTARY INFORMATION (continued)

f) CONDENSED STATEMENT OF CASH FLOWS

	<i>Nine-month period ended 30 September (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2021</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2020</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
OPERATING ACTIVITIES						
Net income for the period before Zakat and income tax	1,677	21,122	22,799	3,515	35,444	38,959
Adjustments for non-cash items:						
Impairment loss / (reversal) on premium receivable	1,568	-	1,568	(53)	-	(53)
Loss on disposal of property and equipment	239	-	239	-	-	-
Commission from held to maturity investments	(11)	(8,348)	(8,359)	(342)	(8,603)	(8,945)
Unrealized gain on FVIS investments	(812)	(1,824)	(2,636)	(446)	(429)	(875)
Realized gain on FVIS investments	(12)	(61)	(73)	-	(1,543)	(1,543)
Dividends from FVIS investments	-	(99)	(99)	-	(220)	(220)
Depreciation and amortization	3,616	-	3,616	197	-	197
Finance cost of lease liabilities	170	-	170	-	-	-
Employee benefits	985	-	985	665	-	665
	<u>7,420</u>	<u>10,790</u>	<u>18,210</u>	<u>3,536</u>	<u>24,649</u>	<u>28,185</u>
Changes in operating assets and liabilities:						
Premium's receivable, net	(1,609)	-	(1,609)	1,969	-	1,969
Due from reinsurers, net	5,276	-	5,276	(5,306)	-	(5,306)
Reinsurers' share of unearned premium	16,720	-	16,720	11,392	-	11,392
Unearned premium	(88,663)	-	(88,663)	(32,053)	-	(32,053)
Unearned reinsurance commission	(466)	-	(466)	-	-	-
Deferred policy acquisition costs	5,155	-	5,155	-	-	-
Reinsurers' share of outstanding claims	4,436	-	4,436	(7,137)	-	(7,137)
Reinsurers' share of claims incurred but not reported	(2,077)	-	(2,077)	673	-	673
Available for sale investments held to cover unit-linked liabilities, net	(223,387)	-	(223,387)	(54,863)	-	(54,863)
Due from related parties	-	(4,031)	(4,031)	80,815	(2,639)	78,176
Prepayments and other assets	7,482	505	7,987	(656)	(48)	(704)
Accrued expenses and other liabilities	(3,126)	(2,105)	(5,231)	11,731	1,968	13,699
Payable to agents, policyholders and claimants	9	-	9	-	-	-
Reinsurers' balances payable	(10,269)	-	(10,269)	(7,406)	-	(7,406)
Outstanding claims	(11,865)	-	(11,865)	7,468	-	7,468
Claims incurred but not reported	6,745	-	6,745	(924)	-	(924)
Unit reserves	220,582	-	220,582	57,155	-	57,155
Mathematical reserve	(3,220)	-	(3,220)	(2,489)	-	(2,489)
Premium deficiency reserves	(11,098)	-	(11,098)	-	-	-
Other technical reserves	(16,830)	-	(16,830)	584	-	584
Due from Shareholders' / Insurance Operations	82,758	(82,758)	-	28,055	(28,055)	-
Cash (used in) / generated from operations	(16,027)	(77,599)	(93,626)	92,544	(4,125)	88,419
Release of short-term deposit acquired as a result of business combination	-	37,500	37,500	-	-	-
Increase in statutory deposit	-	(12,066)	(12,066)	-	-	-
Zakat and income tax paid	-	(3,027)	(3,027)	-	(1,053)	(1,053)
Employee benefits paid	(1,081)	-	(1,081)	(298)	-	(298)
Distribution of surplus to policyholders	(261)	-	(261)	(16,760)	-	(16,760)
Net cash (used in) / from operating activities	<u>(17,369)</u>	<u>(55,192)</u>	<u>(72,561)</u>	<u>75,486</u>	<u>(5,178)</u>	<u>70,308</u>
INVESTING ACTIVITIES						
Proceeds from maturity of held to maturity investments	16,381	136,285	152,666	-	8,000	8,000
Proceeds from disposal of FVIS investments	24,999	148,485	173,484	-	14,214	14,214
Purchase of held to maturity investments	-	(149,202)	(149,202)	-	-	-
Purchase of FVIS investments	(60,000)	(175,000)	(235,000)	(55,000)	(27,820)	(82,820)
Commission received from held to maturity investments	-	27,144	27,144	-	6,886	6,886
Dividends from FVIS investments	-	99	99	-	220	220
Cash and Cash equivalents acquired through Business Combination	48,215	92,635	140,850	-	-	-
Purchase of property and equipment	(512)	-	(512)	(831)	-	(831)
Net cash from / (used in) investing activities	<u>29,083</u>	<u>80,446</u>	<u>109,529</u>	<u>(55,831)</u>	<u>1,500</u>	<u>(54,331)</u>
FINANCING ACTIVITIES						
Repayment of lease liabilities	(2,549)	-	(2,549)	-	-	-
Net cash used in financing activities	<u>(2,549)</u>	<u>-</u>	<u>(2,549)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	<u>9,165</u>	<u>25,254</u>	<u>34,419</u>	<u>19,655</u>	<u>(3,678)</u>	<u>15,977</u>
cash and cash equivalents at the beginning of the period	72,500	33,532	106,032	15,454	4,233	19,687
Cash at cash equivalents at the end of the period	<u>81,665</u>	<u>58,786</u>	<u>140,451</u>	<u>35,109</u>	<u>555</u>	<u>35,664</u>

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

At 30 September 2021

20 IMPACT OF COVID-19

The outbreak of novel coronavirus (COVID-19) since early 2020, its spread across mainland China and then globally, including the Kingdom of Saudi Arabia, and the declaration of this pandemic by the World Health Organization has resulted globally in governmental authorities imposing quarantines and travel restrictions of varying scope. This has led to significant disruptions in the retail, travel, and hospitality industries and in global trade. It has resulted in decreased economic activity and lowered estimates for future economic growth and has caused global financial markets to experience significant volatility. On 11 March 2020, the World Health Organisation ("WHO") declared COVID-19 outbreak as a pandemic in recognition of its rapid spread across the globe.

This outbreak has also affected the GCC region, including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular, has implemented closure of borders, released social distancing guidelines, and enforced country-wide lockdowns and curfews.

In response to the spread of the COVID-19 virus in the Kingdom of Saudi Arabia where the Company operates, and its consequential disruption to the social and economic activities in the Saudi Arabia market, the Company's management believes that it has taken appropriate and sufficient measures to address the impact of COVID-19. Given the Company's existing liquidity position, it believes that it will be able to meet its liabilities as and when they fall due and will allow the Company to reasonably handle the liquidity risks presented by the current climate. Additionally, the preventive measures taken by the Company in April 2020 are still in effect that includes:

- the health and safety of its employees and the wider community where it is operating; and
- the continuity of its business throughout the Kingdom is protected and kept intact.

The Company has considered the following while assessing the impact of COVID-19 outbreak:

- **Financial assets**

The Company has performed an assessment in accordance with its accounting policy due to the COVID-19 pandemic to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired. These include factors such as, significant financial difficulties of issuers or debtors, default or delinquency in payments, the probability that the issuer or debtor will enter bankruptcy or other financial reorganization, etc. In the case of sukuk classified under held to maturity, the Company has performed an assessment to determine whether there is a significant decline in the fair value of financial assets below their cost. Based on these assessments, the Company's management believes that the COVID-19 pandemic has had no material effects on Company's reported results for the period ended 30 September 2021. The Company's management continues to monitor the situation closely.

- **Credit risk management**

The Company has strengthened its credit risk management policies to address the fast-changing and evolving risks posed by the current circumstances. These include reviewing credit concentrations at the granular economic sector, region, and counterparty level and taking appropriate action where required. Based on the review, the Company has identified the following sectors being impacted significantly by the COVID-19 pandemic:

- Transportation
- Construction
- Entertainment
- Food
- Airlines
- Freight Companies
- Hotels

- **Liquidity Risk**

The Company is aware of the need to focus on liquidity management during this period. It has enhanced its monitoring of current liquidity needs as well as the pandemic in its entirety. The Company regularly reviews and updates the liquidity forecast based on the individual liquidity balance and the continued development of external economic factors.

ALJAZIRA TAKAFUL TAAWUNI COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

At 30 September 2021

20. IMPACT OF COVID-19 (continued)

- **Claims**

The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The Company has appointed a qualified actuary who supports in reviewing and providing recommendation with regards to the expected ultimate claims and the associated claims reserves. The Company booked reserves following the recommendation of the appointed actuary who is currently external and independent from the Company. A range of methods were used by the appointed actuary to determine these claims.

The Company's management with involvement of its appointed actuary has duly considered the impact of claims history in the current estimate of future contractual cash flows of the insurance contracts in force as at 30 September 2021 for its liability adequacy test. Notwithstanding these challenges, management believes that the actuarial reserves remain largely unaffected as the overall mortality due to COVID-19 in Saudi Arabia is very low.

- **Medical technical reserves**

Based on the management's assessment, the management believes that the Government's decision to assume the medical treatment costs for both Saudi citizens and expatriates has helped reduce any unfavorable impact. During the lockdown, the acquired company Solidarity Saudi Takaful Company ("Solidarity") saw a decline in medical reported claims (majorly elective and non-chronic treatment claims) which resulted in a drop in claims experience. However, subsequent to the lifting of lockdown since 21 June 2020, Solidarity experienced a surge in claims in line with the expectations of Solidarity's management.

Council of Cooperative Health Insurance ("CCHI") issued a Circular 895, dated 17 December 2020 regarding the procedures, protocols, and prices relating to the enforcement of Article 11. Following these procedures, Government facilities will be now able to bill insurance companies for the claims incurred for some elements of their insured population. As instructed by the CCHI, the new protocols and procedures will cover all new and renewing policies incepting from 01 January 2021. Moreover, this will also cover all emergency cases for all inforce policies as of 01 January 2021.

Since, the Company has acquired Solidarity (refer note 4), the Company's management in conjunction with its appointed actuary has duly considered the impact of the surge in Solidarity's medical claims in the current estimate of future contractual cash flows of the insurance contracts in force as at 30 September 2021 for its liability adequacy test. Based on the results, the Company has booked an amount of SAR 7.01 million as a premium deficiency reserve.

- **Motor technical reserves**

In response to the COVID-19 pandemic, SAMA issued a circular 189 (the "circular") dated 08 May 2020 to all insurance companies in the Kingdom of Saudi Arabia. Amongst other things, the circular instructed insurance companies to extend the period of validity of all existing retail motor insurance policies by further two months and provide a two-month additional coverage for all new retail motor policies written within one month of this circular. The Company's actuary has performed a liability adequacy test using current estimates of future cash flows under its insurance contracts at a segmented level for motor line of business and no liability was recorded as premium deficiency reserve as of 30 September 2021.

Based on these assessments, the Company's management believes that the COVID-19 pandemic has had no material effects on Company's reported results for the period ended 30 September 2021. As with any estimate, the projections and likelihoods of occurrence are underpinned by significant judgment and rapidly evolving situations and uncertainties surrounding the duration and severity of the pandemic, and therefore, the actual outcomes may be different to those projected. The impact of such an uncertain economic environment is judgmental, and the Company will continue to reassess its position and the related impact on a regular basis.

21 APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements have been approved by the Board of Directors on 4 November 2021, corresponding to 29 Rabi Al Awwal 1443H