
**ALAHLI TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED
FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2021**

ALAHLI TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2021

INDEX	PAGE
Independent Auditors' Review Report	1
Interim Condensed Statement of Financial Position	2
Interim Condensed Statement of Income	3 - 4
Interim Condensed Statement of Comprehensive Income	5
Interim Condensed Statement of Changes in Equity	6 - 7
Interim Condensed Statement of Cash Flows	8 - 9
Notes to the Interim Condensed Financial Statements	10 - 42



Crowe

Al Azem, Al Sudairy, Al Shaikh & Partners
CPA's & Consultants
Member Crowe Global
P. O. Box : 0504
Riyadh 11443
Kingdom of Saudi Arabia



bakertilly

BAKER TILLY MKM & CO.
CERTIFIED PUBLIC ACCOUNTANTS
License: 323/11479
P.O.Box: 100390, Jeddah 21311
Kingdom of Saudi Arabia

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

**THE SHAREHOLDERS
ALAHLI TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)
Jeddah, Kingdom of Saudi Arabia**

Introduction:

We have reviewed the accompanying interim condensed statement of financial position of AlAhli Takaful Company - a Saudi Joint Stock Company - ("the Company") as at 30 June 2021 and the related interim condensed statements of income, and comprehensive income, for the three-month and six-month periods then ended, the interim condensed statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" 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 that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia.

for Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountants

Abdullah M. Al Azem
Certified Public Accountant
License No. 335



for Baker Tilly MKM & Co
Certified Public Accountants

Ayad Obeyan AlSeraihi
Certified Public Accountant
License No. 405

Jeddah, Kingdom of Saudi Arabia
8 Muharram 1443H
16 August 2021



ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>Note</i>	<u>30 June 2021 (Unaudited)</u> SR'000	<u>31 December 2020 (Audited)</u> SR'000
ASSETS			
Cash and cash equivalents	4	36,920	33,713
Contributions and reinsurance receivables, net	5	20,234	21,483
Reinsurance share of unearned contributions	6	2,553	2,238
Reinsurance share of outstanding claims	10	44,755	31,779
Reinsurance share of claims incurred but not reported	10	22,330	16,979
Unit-linked investments	7	688,137	658,721
Investments	8	291,981	288,386
Accrued income	11 (a)	421	345
Prepayments and other assets		15,236	11,898
Furniture, fittings and office equipment		3,802	3,487
Intangible assets		818	924
Statutory deposit		16,667	16,667
Accrued income on statutory deposit		2,231	2,187
TOTAL ASSETS		1,146,085	1,088,807
LIABILITIES			
Accrued expenses and other liabilities		15,260	18,865
Reinsurance balances payable		45,902	12,216
Unearned contributions	6	4,015	3,669
Technical reserve for insurance operations	9	696,404	681,540
Outstanding claims	10	68,185	55,102
Claims incurred but not reported	10	28,376	21,717
Due to a related party	11 (a)	143	273
Employee benefits		3,032	2,802
Surplus from insurance operations		22,542	21,859
Zakat and income tax	12	6,175	18,623
Dividends payable		8	8
Accrued income payable to SAMA		2,231	2,187
TOTAL LIABILITIES		892,273	838,861
EQUITY			
Share capital		166,667	166,667
Statutory reserve		32,267	31,499
Retained earnings		54,978	51,904
TOTAL SHAREHOLDERS' EQUITY		253,912	250,070
Re-measurement reserve of employee benefits– related to insurance operations		(100)	(124)
TOTAL EQUITY		253,812	249,946
TOTAL LIABILITIES AND EQUITY		1,146,085	1,088,807

Director

Chief Financial Officer

Chief Executive Officer

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

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

INTERIM CONDENSED STATEMENT OF INCOME (UNAUDITED)

For the three-month and six-month periods ended 30 June 2021

	<i>Note</i>	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
		<i>30 June (Unaudited)</i>		<i>30 June (Unaudited)</i>	
		<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
		<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
REVENUES					
Gross written contributions		83,970	66,684	167,233	125,131
Less: Reinsurance contributions ceded:					
- Local		(20,131)	-	(39,813)	-
- Foreign		(14,345)	(13,384)	(27,675)	(27,279)
Net written contributions	6	49,494	53,300	99,745	97,852
Change in unearned contributions, net		661	717	(31)	(1,001)
Net contributions earned	6	50,155	54,017	99,714	96,851
Investment fund fee	11	1,348	1,206	2,558	2,436
TOTAL REVENUES		51,503	55,223	102,272	99,287
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid		(29,620)	(9,428)	(47,437)	(14,816)
Reinsurer's share of claims paid		23,569	7,265	37,577	11,153
Net claims paid		(6,051)	(2,163)	(9,860)	(3,663)
Changes in outstanding claims, net		(119)	(455)	(107)	(102)
Changes in claims incurred but not reported, net		(1,614)	(126)	(1,308)	(251)
Net claims incurred		(7,784)	(2,744)	(11,275)	(4,016)
Investible contributions, net		(32,157)	(39,785)	(64,955)	(69,963)
Changes in technical reserve, net		146	(271)	(1,520)	(1,515)
Policy acquisition costs		(1,000)	(792)	(2,015)	(1,504)
Supervision and inspection fees		(319)	(333)	(637)	(671)
TOTAL UNDERWRITING COSTS AND EXPENSES		(41,114)	(43,925)	(80,402)	(77,669)
NET UNDERWRITING INCOME		10,389	11,298	21,870	21,618
OTHER OPERATING (EXPENSES) / INCOME					
Reversal of / (Charge) of allowance for doubtful receivables		258	(145)	159	(313)
General and administration expenses		(9,286)	(8,440)	(19,169)	(17,049)
Unrealised gain / (loss) on FVIS investments		267	1,094	3,595	(75)
Realised gain on FVIS investments		4	10	12	28
Other income		-	600	1,309	3,716
TOTAL OTHER OPERATING EXPENSES, NET		(8,757)	(6,881)	(14,094)	(13,693)
Net income for the period-c/f		1,632	4,417	7,776	7,925

Director

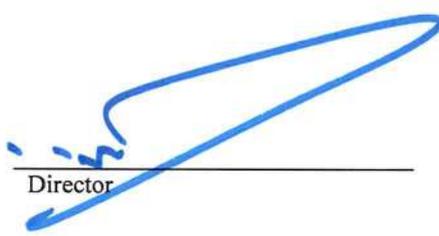
Chief Financial Officer

Chief Executive Officer

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

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 INTERIM CONDENSED STATEMENT OF INCOME (UNAUDITED) (continued)
 For the three-month and six-month periods ended 30 June 2021

	<i>Note</i>	<i>Three-month period ended</i>		<i>Six-month period ended 30</i>	
		<i>30 June (Unaudited)</i>		<i>June (Unaudited)</i>	
		<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
		<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Net income for the period-b/f		1,632	4,417	7,776	7,925
Net income attributed to the insurance operations		(270)	(517)	(683)	(1,165)
Net income for the period attributable to the shareholders, before zakat and income tax		1,362	3,900	7,093	6,760
Zakat	12	(1,557)	(1,573)	(3,251)	(3,190)
Income tax	12	-	-	-	-
Net (loss) / income for the period attributable to the shareholders, after zakat and income tax		(195)	2,327	3,842	3,570
Weighted average number of ordinary shares outstanding (in thousands of share)		16,667	16,667	16,667	16,667
(Losses) / earnings per share for the period (SR/Share)	15	(0.01)	0.14	0.23	0.21



Director



Chief Financial Officer

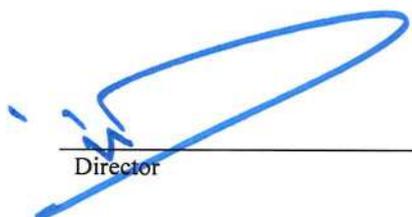


Chief Executive Officer

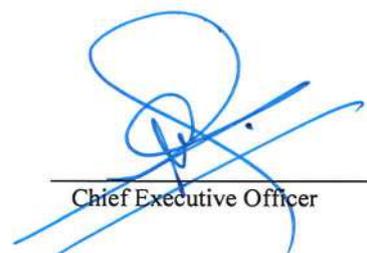
The accompanying notes 1 to 18 form an integral part of these interim condensed financial statements.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
 For the three-month and six-month periods ended 30 June 2021

	<i>Three-month period ended</i>		<i>Six-month period ended 30</i>	
	<i>30 June (Unaudited)</i>		<i>June (Unaudited)</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Net (loss) / income for the period attributable to the shareholders, after zakat and income tax	(195)	2,327	3,842	3,570
Other comprehensive (loss) / income:				
<i>Items that will not be reclassified to the interim statement of income in subsequent periods:</i>				
Re-measurement (loss) / gain on employee benefits	(5)	(180)	24	(160)
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	(200)	2,147	3,866	3,410



 Director



 Chief Executive Officer

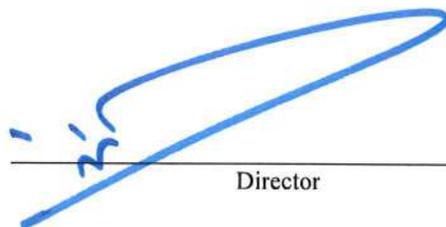


 Chief Financial Officer

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

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
 For the six-month period ended 30 June 2021

	<i>Related to shareholders operations</i>			<i>Total shareholders' equity SR'000</i>	<i>Re-measurement reserve of employee benefits– related to insurance operations SR'000</i>	<i>Total SR'000</i>
	<i>Share capital SR'000</i>	<i>Statutory reserve SR'000</i>	<i>Retained earnings SR'000</i>			
Balance at 31 December 2020 (audited)	166,667	31,499	51,904	250,070	(124)	249,946
Net income for the period	-	-	3,842	3,842	-	3,842
Other comprehensive income	-	-	-	-	24	24
Total comprehensive income	-	-	3,842	3,842	24	3,866
Transfer to statutory reserve	-	768	(768)	-	-	-
Balance at 30 June 2021 (unaudited)	166,667	32,267	54,978	253,912	(100)	253,812



 Director



 Chief Financial Officer

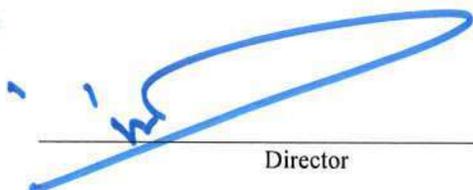


 Chief Executive Officer

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

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (continued)
 For the six-month period ended 30 June 2021

	<i>Related to shareholders operations</i>				<i>Re-measurement reserve of employee benefits– related to insurance operations SR'000</i>	<i>Total SR'000</i>
	<i>Share capital SR'000</i>	<i>Statutory reserve SR'000</i>	<i>Retained earnings SR'000</i>	<i>Total shareholders' equity SR'000</i>		
Balance at 31 December 2019 (audited)	166,667	29,895	45,489	242,051	(288)	241,763
Net income for the period	-	-	3,570	3,570	-	3,570
Other comprehensive loss	-	-	-	-	(160)	(160)
Total comprehensive income	-	-	3,570	3,570	(160)	3,410
Transfer to statutory reserve	-	714	(714)	-	-	-
Balance at 30 June 2020 (unaudited)	166,667	30,609	48,345	245,621	(448)	245,173



 Director



 Chief Financial Officer



 Chief Executive Officer

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

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
 For the six-month period ended 30 June 2021

	<i>Note</i>	<i>Six-month period ended 30 June (Unaudited)</i>	
		<i>2021 SR'000</i>	<i>2020 SR'000</i>
OPERATING ACTIVITIES			
Net income for the period attributable to the shareholders before zakat and income tax		7,093	6,760
Adjustments for non-cash items:			
Net income attributed to the insurance operations		683	1,165
Depreciation		532	385
Amortization of intangible assets		198	281
Provision for employee benefits		307	378
(Reversal of) / Charge of allowance for doubtful receivables	5.1	(159)	313
Unrealised (gain) / loss on FVIS investments		(3,595)	75
Income before changes in operating assets and liabilities		5,059	9,357
Changes in operating assets and liabilities:			
Contributions and reinsurance receivables		1,408	(5,432)
Reinsurance share of unearned contributions		(315)	(840)
Reinsurance share of outstanding claims		(12,976)	(5,277)
Reinsurance share of claims incurred but not reported		(5,351)	(1,634)
Unit-linked investments		(29,416)	13,153
Accrued income		(76)	(197)
Prepayments and other assets		(3,338)	(1,490)
Accrued income on statutory deposit		(44)	(168)
Accrued expenses and other liabilities		(3,605)	(1,941)
Reinsurance balances payable		33,686	8,909
Unearned contributions		346	1,841
Technical reserve for insurance operations		14,864	(10,017)
Outstanding claims		13,083	5,379
Claims incurred but not reported		6,659	1,885
Due to a related party		(130)	(121)
Accrued income payable to SAMA		44	168
Cash from operations		19,898	13,575
Zakat and income tax paid		(15,699)	(10,703)
Employee benefits paid		(53)	(18)
Net cash from operating activities		4,146	2,854
INVESTING ACTIVITIES			
Purchase of furniture, fittings and office equipment		(847)	(256)
Additions to intangible assets		(92)	(57)
Redemption of FVIS investments		30,000	35,000
Purchase of FVIS investments		(30,000)	(25,000)
Net cash (used in) / from investing activities		(939)	9,687

Director

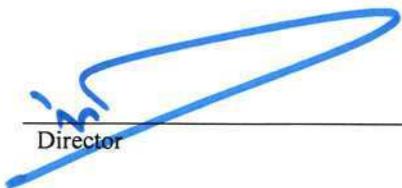
Chief Financial Officer

Chief Executive Officer

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

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
 At 30 June 2021

	<i>Six-month period ended 30 June (Unaudited)</i>	
	<i>2021 SR'000</i>	<i>2020 SR'000</i>
Net increase in cash and cash equivalents	3,207	12,541
Cash and cash equivalents at the beginning of the period	33,713	19,619
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	36,920	32,160
Non – cash transactions:		
Re – measurement (gain) / loss on employee benefits	(24)	160



 Director



 Chief Financial Officer



 Chief Executive Officer

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

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

AlAHLi Takaful Company (the “Company”) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030171573 dated 21 Rajab 1428H, corresponding to 4 August 2007. The following is the address of the Company’s registered office:

National address:

8746 Al Amir Sultan - Al Khalidiah

Unit no. 4

Jeddah 23423 - 3791

Kingdom of Saudi Arabia.

The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. The Company commenced its commercial operations on 4 February 2008. The Company was listed on the Saudi Stock Exchange on 18 August 2007.

On 2 Jumada II 1424H, corresponding to 31 July 2003, the Law on the Supervision of Cooperative Insurance Companies (“Insurance Law”) was promulgated by Royal Decree Number (M/32). On 29 Sha’ban 1428H, corresponding to 11 September 2007, the Saudi Central Bank (SAMA), as the principal authority responsible for the application and administration of the Insurance Law and its Implementing Regulations, granted the Company a license to transact insurance activities in the Kingdom of Saudi Arabia.

The accompanying interim condensed financial statements include accounts of Company’s Head Office which is in Jeddah and its Riyadh Branch within Saudi Arabia which operates under CR No. 1010619140 registered in Riyadh dated 28 Rabi’ Uthani 1441H corresponding to 25th December 2019.

2 BASIS OF PREPARATION

a) *Basis of presentation and measurement*

The interim condensed financial statements of the Company as at and for the period ended 30 June 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 interim condensed financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement of investments 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 interim condensed statement of financial position is presented in order of liquidity. Except for property and equipment, statutory deposit, end-of-service benefits, unearned contribution, accrued income and surplus from insurance operations, outstanding claims, claims incurred but not reported and technical reserves for insurance operations, all other assets and liabilities are of short-term nature, unless, stated otherwise.

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

The interim condensed financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as of and for the year ended 31 December 2020. The interim condensed financial statements may not be considered indicative of the expected results for the full year (refer 2 (c) below).

b) *Functional and presentation currency*

These interim condensed financial statements are presented in Saudi Arabian Riyals (SR), which is the functional currency of the Company. All financial information presented in SR has been rounded off to the nearest thousand, unless otherwise indicated.

At 30 June 2021

2 BASIS OF PREPARATION (continued)

c) *Critical accounting judgments estimates and assumptions*

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

In preparing these interim condensed financial statements, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied to the annual financial statements as at and for the year ended 31 December 2020. However, the Company has reviewed the key sources of estimation uncertainties disclosed in the last annual financial statements and updated them where required. The changes in circumstances may require further enhanced disclosures in the financial statements of the Company for subsequent periods (see below).

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 has proactively assessed its impacts on its operations and has taken a series of proactive and preventative measures and processes to ensure:

- 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, probability that the issuer or debtor will enter bankruptcy or other financial reorganization, etc. 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 June 2021 and for the year ended 31 December 2020. 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 review of credit concentrations at granular economic sector, region, counterparty level and take appropriate action where required. Based on the review, the Company has identified the following sectors being impacted significantly by the Covid-19 pandemic and lower oil prices:

- Transportation
- Construction
- Entertainment

Liquidity Risk

The Company is aware of the need to keep a close focus on liquidity management during this period and 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 as well as the continued development of external economic factors.

At 30 June 2021

2 BASIS OF PREPARATION (continued)**c) Critical accounting judgments estimates and assumptions (continued)****Claims**

During the lockdown, the Company saw a decline in Covid-19 related death reported claims which resulted in a drop in claims experience. However, subsequent to the lifting of lockdown since 21 June 2020, the Company is experiencing a surge in claims due to Covid-19 related deaths which is in line with the expectations of the Company's management. The Company's management has duly considered the impact of surge in such claims in the current estimate of future contractual cash flows of the life insurance contracts in force as at 30 June, 2021 for its liability adequacy test. Notwithstanding these challenges, management believes that the actuarial reserves remains largely unaffected as the overall mortality due to Covid-19 in the Kingdom of Saudi Arabia is very low.

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 June 2021 and for the year ended 31 December 2020. As with any estimate, the projections and likelihoods of occurrence are underpinned by significant judgment and rapidly evolving situation 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 uncertain economic environment is judgmental, and the Company will continue to reassess its position and the related impact on a regular basis.

d) Seasonality of operations

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates and assumptions used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2020, except as explained below:

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

The following new standards, interpretations, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB) have been effective from 1 January 2021, as applicable:

<i>Standard/ Amendments</i>	<i>Description</i>
IAS 1	Classification of Liabilities as Current or Non-current
IFRS 16	Leases for COVID-19 rent related concessions
IFRS 3	Reference to Conceptual Framework
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
IAS 37	Onerous contracts: Cost of Fulfilling a contract
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

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

Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

Amendments to IFRS 16 - Leases for COVID-19 rent related concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments remove the potential for confusion regarding lease incentives by amending an Illustrative example 13 accompanying IFRS 16.

Amendments to IFRS 3, IAS 16, IAS 37

- IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

At 30 June 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**a) New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company (continued)****Amendments to IFRS 3, IAS 16, IAS 37 (continued)**

- IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

- IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The objective of the second phase is to assist entities in providing useful information about the effects of the transition to alternative benchmark rates and support preparers in applying the requirements of IFRSs when changes are made to contractual cash flows or hedging relationships as a result of the transition to an alternative benchmark interest rate.

b) Standards issued but not yet effective

The following are the standards issued but not yet effective up to the date of issuance of the Company's interim condensed financial statements. The Company intends to adopt these standards when they become effective.

<i>Standard / Interpretation</i>	<i>Description</i>	<i>Effective date</i>
IFRS 17	Insurance Contracts	See below
IFRS 9	Financial Instruments	See below

IFRS 17 – Insurance Contracts*Overview*

This standard has been published in 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.

At 30 June 2021

3 SUMMARY OF 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. Interest is also accreted on the CSM at rates locked in at initial recognition of a contract (i.e. discount rate used at inception to determine the present value of the estimated cash flows). Moreover, the CSM will be released into profit or loss based on coverage units, reflecting the quantity of the benefits provided and the expected coverage duration of the remaining contracts in the group.

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, in addition to the adjustment under GMM, the CSM is also adjusted for:

- i. the entity’s share of the changes in the fair value of underlying items,
- ii. the effect of changes in the time value of money and in 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 remaining coverage if it provides a measurement that is not materially different from the General Measurement Model for the group of contracts 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 Measurement Model remains applicable for the measurement of the liability for 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 Company intends to apply the Standard on its effective date i.e. January 1, 2023. The IASB issued an Exposure Draft Amendments to IFRS 17 proposing certain amendments to IFRS 17 during June 2019 and received comments from various stakeholders. On March 17, 2020, the IASB completed its discussion on the amendments to IFRS 17 Insurance Contracts that were proposed for public consultation in June 2019. It decided that the effective date of the Standards will be deferred to annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customer and IFRS 9 have also been applied.

Transition

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 and reinsurance, and investment contracts with discretionary participating features, together with amendments to presentation and disclosure

At 30 June 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*b) Standards issued but not yet effective (continued)**IFRS 17 – Insurance Contracts (continued)***Progress**

The Company recently completed the design phase of IFRS 17 implementation which required developing and designing new processes and procedures for the business including the system developments required under IFRS 17 and detailed assessment of business requirements. Following were the main areas under design phase, which the company recently completed:

Major areas of design phase	Summary of progress
Governance and control framework	The Company put in place a comprehensive IFRS 17 governance program which included establishing oversight steering committee for monitoring the progress of implementation and assigned roles and responsibilities to various stakeholders.
Operational area	The Company designed the operational aspects of the design phase which included establishing comprehensive data policy and data dictionary. Also the Company finalized the architectural designs for various sub-systems. The Company also progressed through assessment of business requirements, had selected the IRIS (Green 13) for implementation of IFRS 17 Solution, finalized various processes needed for transition and carried out assessment of new resources needed.
Technical and financial area	The Company completed various policy papers encompassing various technical and financial matters after concluding on policy decisions required under the IFRS 17 standard. The policy decisions were taken after due deliberations among various stakeholders and were approved by the Company's IFRS 17 project steering committee.

After the design phase, the company has started its journey towards executing the fourth phase, i.e., Implementation and Dry Runs and has started the implementation of the IRIS IFRS 17 solution, to come up with IFRS 17 numbers by performing the dry runs, on a timely basis.

At 30 June 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

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, at fair value through other comprehensive income or at fair value through profit or loss. A financial asset is measured at amortized cost if both:

- i. the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- ii. 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”).

The financial asset is measured at fair value through other comprehensive income, and realized gains or losses are 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.

At 30 June 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

Effective date

The published effective date of IFRS 9 was 1 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 01 January 2023. On 17 March 2020, the International Accounting Standards Board (IASB) decided to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 from January 1, 2021 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 predominantly 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.

The Company has performed a detailed assessment beginning of 1 January 2021 which included below:

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 financial statements.

Impact assessment

As at 30 June 2021, the Company has total financial assets and insurance related assets amounting to SR 57 million (31 December 2020: SR 55 million) and SR 47 million (31 December 2020: SR 34 million), respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SR 57 million (31 December 2020: SR 55 million). Unit linked investments held at fair value as at 30 June 2021 is SR 688 million (31 December 2020: SR 659 million). Other financial assets consist of FVIS investments amounting to SR 292 million (31 December 2020: SR 288 million). The Company expect to use the FVOCI classification of these financial assets based on the business model of the Company for debt securities and strategic nature of equity investments. However, the Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9.

The Company financial assets have low credit risk as at 30 June 2021 and 31 December 2020. The above is based on high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9: However, the impact of the same is not expected to be significant. At present it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2021

4 CASH AND CASH EQUIVALENTS

	<i>30 June 2021 (Unaudited)</i>		
	<i>Insurance operations SR'000</i>	<i>Shareholders' operations SR'000</i>	<i>Total SR'000</i>
Cash in hand	16	-	16
Cash at bank (see note 4.1)	36,891	13	36,904
Total	36,907	13	36,920

	<i>31 December 2020 (Audited)</i>		
	<i>Insurance operations SR '000</i>	<i>Shareholders' operations SR '000</i>	<i>Total SR '000</i>
Cash in hand	16	-	16
Cash at bank (see note 4.1)	33,684	13	33,697
Total	33,700	13	33,713

4.1 Cash at bank is held in bank accounts maintained with a shareholder (Saudi National Bank).

5 CONTRIBUTIONS AND REINSURANCE RECEIVABLES, NET

	<i>30 June 2021 (Unaudited) SR'000</i>	<i>31 December 2020 (Audited) SR'000</i>
<u>Gross</u>		
Policyholders	991	5,094
Related parties	1,060	16,942
Receivable from reinsurers	18,577	-
Allowance for doubtful receivables (note 5.1)	(394)	(553)
	20,234	21,483
<u>Net</u>		
Policyholders – net	677	4,682
Related parties - net (see note 11)	980	16,801
Receivable from reinsurers – net	18,577	-
	20,234	21,483

At 30 June 2021

5 CONTRIBUTIONS AND REINSURANCE RECEIVABLES, NET (continued)

5.1 The movement in allowance for doubtful receivables during the six-month period ended 30 June 2021 and the year ended 31 December 2020 is as follows:

	<i>30 June 2021 (Unaudited) SR'000</i>	<i>31 December 2020 (Audited) SR'000</i>
Balance at the beginning of the period / year	553	256
(Reversal) / Charge to statement of income	(159)	297
Balance at the end of the period / year	394	553

- Doubtful debts allowance on contribution receivable from policyholders as at 30 June 2021 amounts to SR 314 thousand (31 December 2020: SR 412 thousand) and on contribution receivable from related parties as at 30 June 2021 amounts to SR 80 thousand (31 December 2020: SR 141).

6 UNEARNED CONTRIBUTIONS

	<i>30 June 2021 (Unaudited)</i>		
	<i>Gross SR'000</i>	<i>Reinsurance SR'000</i>	<i>Net SR'000</i>
Balance at the beginning of the period	3,669	(2,238)	1,431
Contributions written / (ceded) during the period	167,233	(67,488)	99,745
Contributions (earned) / paid or adjusted during the period	(166,887)	67,173	(99,714)
Balance at the end of the period	4,015	(2,553)	1,462

	<i>31 December 2020 (Audited)</i>		
	<i>Gross SR'000</i>	<i>Reinsurance SR'000</i>	<i>Net SR'000</i>
Balance at the beginning of the year	3,449	(2,107)	1,342
Contributions written / (ceded) during the year	248,234	(61,950)	186,284
Contributions (earned) / paid or adjusted during the year	(248,014)	61,819	(186,195)
Balance at the end of the year	3,669	(2,238)	1,431

At 30 June 2021

7 UNIT-LINKED INVESTMENTS**Insurance operations**

Unit-linked investments comprise units of fund, denominated in United States Dollars, which are managed by a subsidiary of the Company's major shareholder and are based in the Kingdom of Saudi Arabia.

	<u>30 June</u> <u>2021</u> (Unaudited) SR'000	<u>31 December</u> <u>2020</u> (Audited) SR'000
Investment held to cover unit-linked liabilities:		
AlAhli Multi-Asset Conservative Fund	344,655	337,660
AlAhli Multi-Asset Moderate Fund	188,043	177,670
AlAhli Multi-Asset Growth Fund	155,439	143,391
	<u>688,137</u>	<u>658,721</u>

The movement in unit-linked investments during the six-month period ended 30 June 2021 and the year ended 31 December 2020 is as follows:

	<u>30 June</u> <u>2021</u> (Unaudited) SR'000	<u>31 December</u> <u>2020</u> (Audited) SR'000
Balance at the beginning of the period / year	658,721	671,674
Purchased during the period / year	20,000	-
Redemptions during the period / year	(25,000)	(60,000)
Unrealised gain during the period / year (note 9 (b))	34,416	47,047
Balance at the end of the period / year	<u>688,137</u>	<u>658,721</u>

8 INVESTMENTS

	<u>30 June</u> <u>2021</u> (Unaudited) SR'000	<u>31 December</u> <u>2020</u> (Audited) SR'000
Fair value investment through income statement (FVIS)		
Insurance operations (note 8.1)	41,790	36,749
Shareholders' operations (note 8.2)	250,191	251,637
	<u>291,981</u>	<u>288,386</u>

8.1 Insurance Operations – FVIS Investments

Investments of Insurance Operations represent investments in AlAhli Diversified Saudi Riyal Trade Fund (a quoted income fund), managed by a subsidiary of the Company's major shareholder and is based in the Kingdom of Saudi Arabia. This investment is designated as a FVIS its performance is actively monitored.

	<u>30 June</u> <u>2021</u> (Unaudited) SR'000	<u>31 December</u> <u>2020</u> (Audited) SR'000
AlAhli Diversified Saudi Riyal Trade Fund	<u>41,790</u>	<u>36,749</u>

At 30 June 2021

8 INVESTMENTS (continued)**8.1 Insurance Operations – FVIS Investments (continued)**

The movement in the FVIS investments during the six-month ended 30 June 2021 and the year ended 31 December 2020 is as follows:

	30 June 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
Balance at the beginning of the period / year	36,749	71,050
Purchases	30,000	25,000
Redemption	(25,000)	(60,000)
Unrealised gain	41	699
Balance at the end of the period / year	41,790	36,749

8.2 Shareholders' Operations – FVIS Investments

	30 June 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
AlAhli Takaful Discretionary Portfolio	244,039	238,471
Investment in a real estate fund	3,413	5,435
AlAhli Diversified Saudi Riyal Trade Fund	2,739	7,731
	250,191	251,637

AlAhli Takaful discretionary portfolio is managed by a subsidiary of the Company's major shareholder. The discretionary portfolio is invested in securities issued by financial institutions, government entities, and mutual funds which are denominated in Saudi Arabian Riyals and US Dollars.

The movement in the FVIS investments during the six-month ended 30 June 2021 and the year ended 31 December 2020 is as follows:

	30 June 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
Balance at the beginning of the period / year	251,637	245,478
Unrealised gains	3,554	6,159
Redemption	(5,000)	-
Balance at the end of the period / year	250,191	251,637

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2021

9 TECHNICAL RESERVES FOR INSURANCE OPERATIONS

- a) A technical reserve for Insurance Operations is created, as per the report received from the Actuary, as detailed below:

	30 June 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
Technical reserve relating to the Participant Investment Strategies (unit-linked liability)	693,322	679,978
Allowance for the retained risk	3,082	1,562
	696,404	681,540

- b) Movement in technical reserve for insurance operations is as follows:

	30 June 2021 (Unaudited) SR'000	31 December 2020 (Audited) SR'000
Balance at the beginning of the period / year	681,540	684,546
Change in allowance for the retained risk	1,520	290
Unrealised gain on unit-linked investments (note 7)	34,416	47,047
Investible contributions	64,955	129,772
Surrenders and maturities	(86,027)	(180,115)
Balance at the end of the period / year	696,404	681,540

10 OUTSTANDING CLAIMS INCLUDING IBNR

	<u>30 June 2021 (Unaudited)</u>			<u>31 December 2020 (Audited)</u>		
	<i>Gross</i> <i>SR'000</i>	<i>Reinsurers'</i> <i>share</i> <i>SR'000</i>	<i>Net</i> <i>SR'000</i>	<i>Gross</i> <i>SR'000</i>	<i>Reinsurers'</i> <i>share</i> <i>SR'000</i>	<i>Net</i> <i>SR'000</i>
At 1 January						
Reported claims	55,102	(31,779)	23,323	43,171	(21,088)	22,083
IBNR	21,717	(16,979)	4,738	22,891	(17,838)	5,053
	76,819	(48,758)	28,061	66,062	(38,926)	27,136
Incurred during the period / year	67,179	(55,904)	11,275	88,534	(70,927)	17,607
(Paid) / recovered during the period / year	(47,437)	37,577	(9,860)	(77,777)	61,095	(16,682)
As at period / year end	96,561	(67,085)	29,476	76,819	(48,758)	28,061
Reported claims	68,185	(44,755)	23,430	55,102	(31,779)	23,323
IBNR	28,376	(22,330)	6,046	21,717	(16,979)	4,738
	96,561	(67,085)	29,476	76,819	(48,758)	28,061

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2021

11 RELATED PARTY TRANSACTIONS AND BALANCES

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

Following are the details of major related party transactions during the periods ended 30 June 2021 and 30 June 2020:

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transactions</u>	
			<u>For six-month period ended</u>	
			<u>30 June</u>	<u>30 June</u>
			<u>2021</u>	<u>2020</u>
			<i>(Unaudited)</i>	<i>(Unaudited)</i>
			<u>SR'000</u>	<u>SR'000</u>
Saudi National Bank	Shareholder	Gross Group Insurance contributions	84,537	36,201
		Gross claims paid	44,110	12,151
Saudi Ground Services Company Limited	Company related to a member of board of directors	Gross Group Insurance contributions	662	-
		Gross claims paid	590	-
AlAhli Insurance Marketing Services Company Limited	Subsidiary of a shareholder	Agency commission and others	143	-
NCB Capital	Subsidiary of a shareholder	Investment fund fee	2,558	2,436
Key management personnel		Short-term benefits	2,027	1,931
		End of service benefits	111	150

a) Receivable from / (payable to) related parties

	<u>30 June</u>	<u>31 December</u>
	<u>2021</u>	<u>2020</u>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<u>SR'000</u>	<u>SR'000</u>
Net receivable from Saudi National Bank - a shareholder (note 5)	642	16,801
Net receivable from Saudi Ground Services Company Limited – a company related to a member of board of directors (note 5)	338	-
	980	16,801
Accrued investment fund fee receivable from subsidiary of a Shareholder	421	345
Payable to AlAhli Insurance Marketing Services Company Limited - subsidiary of a shareholder	(143)	(273)
Outstanding claims payable to Saudi National Bank - a shareholder - gross	(58,228)	(45,942)
Outstanding claims payable to Saudi Ground Services Co. - Company related to the member of Board of Directors (BOD) - gross	(1,094)	(285)

At 30 June 2021

11 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**b) Board of directors' remuneration and related expenses**

	<i>Amount of transactions</i>	
	<i>For six-month period ended</i>	
	<i>30 June</i>	<i>30 June</i>
	<i>2021</i>	<i>2020</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SR'000</i>	<i>SR'000</i>
Board and other committees remuneration	1,078	974
Board and other committees attendance fees	295	272
Board accommodation and travel	-	23

In addition to the disclosures set out in notes 4, 5, 7 and 8 relating to related parties, amounts due from and due to related parties are shown in the Interim Condensed Statement of Financial Position. Further, payable to related parties are as following:

	<i>30 June</i>	<i>31 December</i>
	<i>2021</i>	<i>2020</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>SR'000</i>	<i>SR'000</i>
Remuneration and other expenses payable to Board and other committees	(1,683)	(2,833)

12 ZAKAT AND INCOME TAX

The Zakat and income tax payable by the Company has been calculated based on the best estimates of the management.

The movement in zakat and income tax payable for the six-month period ended 30 June 2021 and year ended 31 December 2020 is as follows:

	<i>Zakat</i>	<i>Tax</i>	<i>30 June</i>	<i>31 December</i>
	<i>2021</i>	<i>2021</i>	<i>2021</i>	<i>2020</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Balance at the beginning of the period / year	18,571	52	18,623	29,254
Charge for the period / year	3,251	-	3,251	6,037
Zakat and income tax paid	(15,699)	-	(15,699)	(16,668)
Balance at the end of the period / year	6,123	52	6,175	18,623

Status of assessments

The Company finalized its Zakat and tax status for the years 2007 to 2012.

The Zakat, Tax and Customs Authority (ZATCA) has issued assessments for the years 2013 to 2018, claiming additional Zakat liabilities and the Company has filed objections against those assessments as stated in detail in the audited financial statements of the Company for the year ended 31 December 2020.

The Company submitted the Zakat and Tax return for the years ended 31 December 2019 and 2020, which are still under review by the ZATCA.

On 10 October, 2018, ZATCA issued the revised assessment on the Company's accounts for the years ended 2010 to 2012, claiming an additional Zakat liability of SR 400 thousand. The Company's objection was transferred to the Preliminary Objection Committee (POC). The result of which has not been issued. The Company will transfer its objection to the newly formed committees through the General Secretariat of Tax Committees (GSTC) portal to assign a hearing session.

On 28 June 2021, ZATCA issued a revised assessment on the Company's accounts for the year ended 2012, claiming additional Zakat and tax liability, in addition to delay fines, of SR 1,489 thousand which is contradicting with the previous revised assessment that was issued on 10 October 2018.

At 30 June 2021

12 ZAKAT AND INCOME TAX (continued)

Status of assessments (continued)

As stated in detail in the audited financial statements of the Company for the year ended 31 December 2020, the Company has finalized its Withholding tax (WHT) status for the years 2013 to 2017. The status of the Company for the years 2018 to 2020 is still under finalization with ZATCA.

The Company has filed all VAT returns for the year 2018 and 2019 on a timely basis. On 2 June 2020, the ZATCA has issued an assessment in relation to VAT for the years 2018 and 2019 as stated in detail in the audited financial statements of the Company for the year ended 31 December 2020 and is still not finalized yet. During the first quarter of the year 2021 the Company has paid the principle amount of the above said VAT assessments amounts to SR 2,905 thousand to get the benefits of governmental revised 1st phase amnesty period (full exemption of penalty) which was ended on 31 March 2021.

The Company has filed all VAT returns for the year 2020 on a timely basis and there were no final assessments issued by ZATCA on this regard.

ZATCA has provided the defense notes to GSTC against the submitted VAT appeals with GSTC. The Company has filed the response letters against the ZATCA's defense notes. Currently, The Company is awaiting the hearing session to be scheduled by the GSTC. The Company has a good chance to win the cases.

13 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 performance of the operating segments, has been identified as the Chief Executive Officer that makes strategic decisions. For management purposes, the activities of Insurance Operations, which are all in the Kingdom of Saudi Arabia, are reported under two business units, as detailed below:

- Insurance – individual segment offers life insurance products on an individual basis including unit-linked investment oriented products.
- Insurance – group segment offers life protection programmes to the members of organizations on a group basis, and credit protection benefits in respect of personal loans 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. Shareholders' operations are separated from operating segments and disclosed for presentation purposes only in a separate column.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2021

13 OPERATING SEGMENT INFORMATION (continued)

	<i>As at 30 June 2021 (Unaudited)</i>				
	<i>Insurance - individual SR'000</i>	<i>Insurance e-group SR'000</i>	<i>Total - Insurance operations SR'000</i>	<i>Shareholders' operations SR'000</i>	<i>Total SR'000</i>
ASSETS					
Cash and cash equivalents	8,817	28,090	36,907	13	36,920
Contributions and reinsurance receivables , net	11	20,223	20,234	-	20,234
Reinsurance share of unearned contributions	-	2,553	2,553	-	2,553
Reinsurance share of outstanding claims	1,475	43,280	44,755	-	44,755
Reinsurance share of claims incurred but not reported	308	22,022	22,330	-	22,330
Unit-linked investments	688,137	-	688,137	-	688,137
Investments	14,156	27,634	41,790	250,191	291,981
Accrued income	421	-	421	-	421
	<u>713,325</u>	<u>143,802</u>	<u>857,127</u>	<u>250,204</u>	<u>1,107,331</u>
Unallocated amounts:					
- Prepayments and other assets			9,883	5,353	15,236
- Furniture, fittings and office equipment			3,802	-	3,802
- Intangible assets			818	-	818
- Statutory deposit			-	16,667	16,667
- Accrued income on statutory deposit			-	2,231	2,231
TOTAL ASSETS			<u><u>871,630</u></u>	<u><u>274,455</u></u>	<u><u>1,146,085</u></u>
LIABILITIES					
Accrued expenses and other liabilities	8,029	2,060	10,089	2,400	12,489
Reinsurance balances payable	3,580	42,322	45,902	-	45,902
Unearned contributions	1	4,014	4,015	-	4,015
Technical reserve for insurance operations	694,452	1,952	696,404	-	696,404
Outstanding claims	2,259	65,926	68,185	-	68,185
Claims incurred but not reported	849	27,527	28,376	-	28,376
Due to a related party	143	-	143	-	143
	<u>709,313</u>	<u>143,801</u>	<u>853,114</u>	<u>2,400</u>	<u>855,514</u>
Unallocated amounts:					
- Accrued expenses and other liabilities			2,771	-	2,771
-Employee benefits			3,032	-	3,032
- Surplus from insurance operations			22,542	-	22,542
- Zakat and income tax			-	6,175	6,175
- Dividends payable			-	8	8
- Accrued income payable to SAMA			-	2,231	2,231
TOTAL LIABILITIES			<u><u>881,459</u></u>	<u><u>10,814</u></u>	<u><u>892,273</u></u>
EQUITY					
Share capital			-	166,667	166,667
Statutory reserves			-	32,267	32,267
Retained earnings			-	54,978	54,978
Remeasurement reserve of Employee benefits			(100)	-	(100)
TOTAL EQUITY			<u><u>(100)</u></u>	<u><u>253,912</u></u>	<u><u>253,812</u></u>
TOTAL LIABILITIES AND EQUITY			<u><u>881,359</u></u>	<u><u>264,726</u></u>	<u><u>1,146,085</u></u>

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2021

13 OPERATING SEGMENT INFORMATION (continued)

As at 31 December 2020 (Audited)

	<i>Insurance - individual SR'000</i>	<i>Insurance- group SR'000</i>	<i>Total - operations SR'000</i>	<i>Shareholders' operations SR'000</i>	<i>Total SR'000</i>
ASSETS					
Cash and cash equivalents	28,779	4,921	33,700	13	33,713
Contributions and reinsurance receivables , net	-	21,483	21,483	-	21,483
Reinsurance share of unearned contributions	1	2,237	2,238	-	2,238
Reinsurance share of outstanding claims	1,860	29,919	31,779	-	31,779
Reinsurance share of claims incurred but not reported	397	16,582	16,979	-	16,979
Unit-linked investments	658,721	-	658,721	-	658,721
Investments	17,562	19,187	36,749	251,637	288,386
Accrued income	345	-	345	-	345
	<u>707,665</u>	<u>94,329</u>	<u>801,994</u>	<u>251,650</u>	<u>1,053,644</u>
Unallocated amounts:					
- Prepayments and other assets			7,613	4,285	11,898
- Furniture, fittings and office equipment			3,487	-	3,487
- Intangible assets			924	-	924
- Statutory deposit			-	16,667	16,667
- Accrued income on statutory deposit			-	2,187	2,187
			<u>814,018</u>	<u>274,789</u>	<u>1,088,807</u>
TOTAL ASSETS					
LIABILITIES					
Accrued expenses and other liabilities	7,324	3,350	10,674	4,317	14,991
Reinsurance balances payable	4,101	8,115	12,216	-	12,216
Unearned contributions	12	3,657	3,669	-	3,669
Technical reserve for insurance operations	680,892	648	681,540	-	681,540
Outstanding claims	2,861	52,241	55,102	-	55,102
Claims incurred but not reported	989	20,728	21,717	-	21,717
Due to a related party	273	-	273	-	273
	<u>696,452</u>	<u>88,739</u>	<u>785,191</u>	<u>4,317</u>	<u>789,508</u>
Unallocated amounts:					
- Accrued expenses and other liabilities			3,874	-	3,874
- Employee benefits			2,802	-	2,802
- Surplus from insurance operations			21,859	-	21,859
- Zakat and income tax			-	18,623	18,623
- Dividends payable			-	8	8
- Accrued income payable to SAMA			-	2,187	2,187
			<u>813,726</u>	<u>25,135</u>	<u>838,861</u>
TOTAL LIABILITIES					
EQUITY					
Share capital			-	166,667	166,667
Statutory reserves			-	31,499	31,499
Retained earnings			-	51,904	51,904
Re-measurement reserve of Employee benefits			(124)	-	(124)
			<u>(124)</u>	<u>250,070</u>	<u>249,946</u>
TOTAL EQUITY					
TOTAL LIABILITIES AND EQUITY					
			<u>813,602</u>	<u>275,205</u>	<u>1,088,807</u>

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2021

13 OPERATING SEGMENT INFORMATION (continued)

	<i>Three-month period ended 30 June 2021</i> <i>(Unaudited)</i>		
	<i>Insurance - individual SR'000</i>	<i>Insurance - group SR'000</i>	<i>Total SR'000</i>
REVENUE			
Gross written contributions:			
- Individual	38,105	-	38,105
- Small enterprises	-	60	60
- Medium enterprises	-	196	196
- Large enterprises	-	45,609	45,609
Total gross written contributions	38,105	45,865	83,970
Less: Reinsurance contributions ceded:			
- Local	-	(20,131)	(20,131)
- Foreign	(662)	(13,683)	(14,345)
Net written contributions	37,443	12,051	49,494
Change in unearned contributions, net	3	658	661
Net contributions earned	37,446	12,709	50,155
Investment fund fee	1,348	-	1,348
TOTAL REVENUES	38,794	12,709	51,503
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(289)	(29,331)	(29,620)
Reinsurer's share of claims paid	179	23,390	23,569
Net claims paid	(110)	(5,941)	(6,051)
Changes in outstanding claims, net	399	(518)	(119)
Changes in claims incurred but not reported, net	122	(1,736)	(1,614)
Net claims incurred	411	(8,195)	(7,784)
Investible contributions, net	(32,157)	-	(32,157)
Changes in technical reserves, net	(148)	294	146
Policy acquisition costs	(799)	(201)	(1,000)
Supervision and inspection fees	(190)	(129)	(319)
TOTAL UNDERWRITING COSTS AND EXPENSES	(32,883)	(8,231)	(41,114)
NET UNDERWRITING INCOME	5,911	4,478	10,389
OTHER OPERATING (EXPENSES) / INCOME			
Allocated amounts:			
- Reversal of allowance for doubtful receivables	-	258	258
Unallocated amounts:			
- General and administration expenses			(9,286)
- Unrealised gain on FVIS investments			267
- Realised gain on FVIS investments			4
TOTAL OTHER OPERATING EXPENSES, NET			(8,757)
Net income for the period			1,632
Net income attributed to the insurance operations			(270)
Net income for the period attributable to the shareholders, before zakat and income tax			1,362
Zakat			(1,557)
Income tax			-
Net loss for the period attributable to the shareholders, after zakat and income tax			(195)

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2021

13 OPERATING SEGMENT INFORMATION (continued)

	<i>Three-month period ended 30 June 2020 (Unaudited)</i>		
	<i>Insurance - individual SR'000</i>	<i>Insurance - group SR'000</i>	<i>Total SR'000</i>
REVENUE			
Gross written contributions:			
- Individual	46,899	-	46,899
- Small enterprises	-	31	31
- Medium enterprises	-	126	126
- Large enterprises	-	19,628	19,628
Total gross written contributions	46,899	19,785	66,684
Less: Reinsurance contributions ceded:			
- Local	-	-	-
- Foreign	(531)	(12,853)	(13,384)
Net written contributions	46,368	6,932	53,300
Change in unearned contributions, net	-	717	717
Net contributions earned	46,368	7,649	54,017
Investment fund fee	1,206	-	1,206
TOTAL REVENUES	47,574	7,649	55,223
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(432)	(8,996)	(9,428)
Reinsurer's share of claims paid	282	6,983	7,265
Net claims paid	(150)	(2,013)	(2,163)
Changes in outstanding claims, net	36	(491)	(455)
Changes in claims incurred but not reported, net	69	(195)	(126)
Net claims incurred	(45)	(2,699)	(2,744)
Investible contributions, net	(39,785)	-	(39,785)
Changes in technical reserves, net	28	(299)	(271)
Policy acquisition costs	(517)	(275)	(792)
Supervision and inspection fees	(234)	(99)	(333)
TOTAL UNDERWRITING COSTS AND EXPENSES	(40,553)	(3,372)	(43,925)
NET UNDERWRITING INCOME	7,021	4,277	11,298
OTHER OPERATING (EXPENSES) / INCOME			
Allocated amounts:			
- Charge of allowance for doubtful receivables			(145)
- Other income			600
Unallocated amounts:			
- General and administration expenses			(8,440)
- Unrealised gain on FVIS investments			1,094
- Realised gain on FVIS investments			10
TOTAL OTHER OPERATING EXPENSES, NET			(6,881)
Net income for the period			4,417
Net income attributed to the insurance operations			(517)
Net income for the period attributable to the shareholders, before zakat and income tax			3,900
Zakat			
Income tax			(1,573)
Net income for the period attributable to the shareholders, after zakat and income tax			2,327

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2021

13 OPERATING SEGMENT INFORMATION (continued)

Six-month period ended 30 June 2021 (Unaudited)

	<i>Insurance - individual SR'000</i>	<i>Insurance - group SR'000</i>	<i>Total SR'000</i>
REVENUE			
Gross written contributions:			
- Individual	77,915	-	77,915
- Small enterprises	-	196	196
- Medium enterprises	-	238	238
- Large enterprises	-	88,884	88,884
Total gross written contributions	77,915	89,318	167,233
Less: Reinsurance contributions ceded:			
- Local	-	(39,813)	(39,813)
- Foreign	(1,323)	(26,352)	(27,675)
Net written contributions	76,592	23,153	99,745
Change in unearned contributions, net	10	(41)	(31)
Net contributions earned	76,602	23,112	99,714
Investment fund fee	2,558	-	2,558
TOTAL REVENUES	79,160	23,112	102,272
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(494)	(46,943)	(47,437)
Reinsurer's share of claims paid	254	37,323	37,577
Net claims paid	(240)	(9,620)	(9,860)
Changes in outstanding claims, net	217	(324)	(107)
Changes in claims incurred but not reported, net	51	(1,359)	(1,308)
Net claims incurred	28	(11,303)	(11,275)
Investible contributions, net	(64,955)	-	(64,955)
Changes in technical reserves, net	(216)	(1,304)	(1,520)
Policy acquisition costs	(1,562)	(453)	(2,015)
Supervision and inspection fees	(389)	(248)	(637)
TOTAL UNDERWRITING COSTS AND EXPENSES	(67,094)	(13,308)	(80,402)
NET UNDERWRITING INCOME	12,066	9,804	21,870
OTHER OPERATING (EXPENSES) / INCOME			
Allocated amounts:			
- Reversal of allowance for doubtful receivables	-	159	159
- Other income	1,300	9	1,309
Unallocated amounts:			
- General and administration expenses			(19,169)
- Unrealised gain on FVIS investments			3,595
- Realised gain on FVIS investments			12
TOTAL OTHER OPERATING EXPENSES, NET			(14,094)
Net income for the period			7,776
Net income attributed to the insurance operations			(683)
Net income for the period attributable to the shareholders, before zakat and income tax			7,093
Zakat			(3,251)
Income tax			-
Net income for the period attributable to the shareholders, after zakat and income tax			3,842

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 June 2021

13 OPERATING SEGMENT INFORMATION (continued)

	<i>Six-month period ended 30 June 2020 (Unaudited)</i>		
	<i>Insurance - individual SR'000</i>	<i>Insurance - group SR'000</i>	<i>Total SR'000</i>
REVENUE			
Gross written contributions:			
- Individual	83,685	-	83,685
- Small enterprises	-	47	47
- Medium enterprises	-	842	842
- Large enterprises	-	40,557	40,557
Total gross written contributions	83,685	41,446	125,131
Less: Reinsurance contributions ceded:			
- Local	-	-	-
- Foreign	(1,105)	(26,174)	(27,279)
Net written contributions	82,580	15,272	97,852
Change in unearned contributions, net	-	(1,001)	(1,001)
Net contributions earned	82,580	14,271	96,851
Investment fund fee	2,436	-	2,436
TOTAL REVENUES	85,016	14,271	99,287
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(605)	(14,211)	(14,816)
Reinsurer's share of claims paid	388	10,765	11,153
Net claims paid	(217)	(3,446)	(3,663)
Changes in outstanding claims, net	67	(169)	(102)
Changes in claims incurred but not reported, net	184	(435)	(251)
Net claims incurred	34	(4,050)	(4,016)
Investible contributions, net	(69,963)	-	(69,963)
Changes in technical reserves, net	(623)	(892)	(1,515)
Policy acquisition costs	(1,009)	(495)	(1,504)
Supervision and inspection fees	(464)	(207)	(671)
TOTAL UNDERWRITING COSTS AND EXPENSES	(72,025)	(5,644)	(77,669)
NET UNDERWRITING INCOME	12,991	8,627	21,618
OTHER OPERATING (EXPENSES) / INCOME			
Allocated amounts:			
- Charge of allowance for doubtful receivables			(313)
- Other income			3,716
Unallocated amounts:			
- General and administration expenses			(17,049)
- Unrealised loss on FVIS investments			(75)
- Realised gain on FVIS investments			28
TOTAL OTHER OPERATING EXPENSES, NET			(13,693)
Net income for the period			7,925
Net income attributed to the insurance operations			(1,165)
Net income for the period attributable to the shareholders, before zakat and income tax			6,760
Zakat			(3,190)
Income tax			-
Net income for the period attributable to the shareholders, after zakat and income tax			3,570

14 FAIR VALUES OF FINANCIAL INSTRUMENTS

At 30 June 2021

- 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 in hand and at banks, unit-linked investments, Fair Value through Income Statement investments (FVIS), contributions and reinsurance receivables, other receivables and its financial liabilities consist of outstanding claims, reinsurance balances payable, amount due to related parties, and other payables. The fair values of financial instruments are not materially different from their carrying values. As at 30 June 2021, apart from the investments which are carried at fair value (notes 7 and 8), there were no other financial instruments held by the Company that were measured at fair value.

- b) The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same instrument (i.e. without modification or repackaging);

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

As at 30 June 2021 and 31 December 2020, all financial instruments which are fair valued are Level 1 instruments except for investment in real estate fund and ALAhli Takaful discretionary portfolio which were Level 2 instruments. The Company determines Level 2 fair values for unit-linked and FVIS investments based on the net assets value of the respective funds as at the end of the reporting period. There were no transfers between Level 1, Level 2 and Level 3 during the period.

- c) Refer to note 7 for fair value measurement of unit linked investments and note 8 for details of fair value measurements of the FVIS investments.

15 EARNINGS PER SHARE

Earnings / (losses) per share for the period have been calculated by dividing the net income / (loss) for the period after zakat and income tax attributable to the shareholders by the weighted average number of ordinary issued and outstanding shares at the interim condensed statement of financial position date. Diluted earnings per share is not applicable to the Company.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2021

16 SUPPLEMENTARY INFORMATION

a) INTERIM STATEMENT OF FINANCIAL POSITION

	<i>Insurance operations</i> <i>SR'000</i>	<i>Shareholders' operations</i> <i>SR'000</i>	<i>30 June 2021 (Unaudited)</i> <i>SR'000</i>	<i>Insurance operations</i> <i>SR'000</i>	<i>Shareholders' operations</i> <i>SR'000</i>	<i>31 December 2020 (Audited)</i> <i>SR'000</i>
ASSETS						
Cash and cash equivalents	36,907	13	36,920	33,700	13	33,713
Contributions and reinsurance receivables, net	20,234	-	20,234	21,483	-	21,483
Reinsurance share of unearned contributions	2,553	-	2,553	2,238	-	2,238
Reinsurance share of outstanding claims	44,755	-	44,755	31,779	-	31,779
Reinsurance share of claims incurred but not reported	22,330	-	22,330	16,979	-	16,979
Unit-linked investments	688,137	-	688,137	658,721	-	658,721
Investments	41,790	250,191	291,981	36,749	251,637	288,386
Due from shareholders' operations	9,729	-	9,729	-	-	-
Due from insurance operations	-	-	-	-	416	416
Accrued income	421	-	421	345	-	345
Prepayments and other assets	9,883	5,353	15,236	7,613	4,285	11,898
Furniture, fittings and office equipment	3,802	-	3,802	3,487	-	3,487
Intangible assets	818	-	818	924	-	924
Statutory deposit	-	16,667	16,667	-	16,667	16,667
Accrued income on statutory deposit	-	2,231	2,231	-	2,187	2,187
	<u>881,359</u>	<u>274,455</u>	<u>1,155,814</u>	<u>814,018</u>	<u>275,205</u>	<u>1,089,223</u>
Less: Inter-operations eliminations	<u>(9,729)</u>	<u>-</u>	<u>(9,729)</u>	<u>-</u>	<u>(416)</u>	<u>(416)</u>
TOTAL ASSETS	<u><u>871,630</u></u>	<u><u>274,455</u></u>	<u><u>1,146,085</u></u>	<u><u>814,018</u></u>	<u><u>274,789</u></u>	<u><u>1,088,807</u></u>

At 30 June 2021

16 SUPPLEMENTARY INFORMATION (continued)**a) INTERIM STATEMENT OF FINANCIAL POSITION (continued)**

	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>30 June 2021 (Unaudited)</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>31 December 2020 (Audited)</i>
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
LIABILITIES						
Accrued expenses and other liabilities	12,860	2,400	15,260	14,548	4,317	18,865
Reinsurance balances payable	45,902	-	45,902	12,216	-	12,216
Unearned contributions	4,015	-	4,015	3,669	-	3,669
Technical reserve for insurance operations	696,404	-	696,404	681,540	-	681,540
Outstanding claims	68,185	-	68,185	55,102	-	55,102
Claims incurred but not reported	28,376	-	28,376	21,717	-	21,717
Due to a related party	143	-	143	273	-	273
Due to insurance operations	-	9,729	9,729	-	-	-
Due to shareholders' operations	-	-	-	416	-	416
Employee benefits	3,032	-	3,032	2,802	-	2,802
Surplus from insurance operations	22,542	-	22,542	21,859	-	21,859
Zakat and income tax	-	6,175	6,175	-	18,623	18,623
Dividends payable	-	8	8	-	8	8
Accrued income payable to SAMA	-	2,231	2,231	-	2,187	2,187
	881,459	20,543	902,002	814,142	25,135	839,277
Less: Inter-operations eliminations	-	(9,729)	(9,729)	(416)	-	(416)
TOTAL LIABILITIES	881,459	10,814	892,273	813,726	25,135	838,861
EQUITY						
Share capital	-	166,667	166,667	-	166,667	166,667
Statutory reserve	-	32,267	32,267	-	31,499	31,499
Retained earnings	-	54,978	54,978	-	51,904	51,904
Re-measurement reserve of employee benefit	(100)	-	(100)	(124)	-	(124)
TOTAL EQUITY	(100)	253,912	253,812	(124)	250,070	249,946
TOTAL LIABILITIES AND EQUITY	881,359	264,726	1,146,085	813,602	275,205	1,088,807

At 30 June 2021

16 SUPPLEMENTARY INFORMATION (continued)

b) INTERIM STATEMENT OF INCOME

	<i>Three-month period ended 30 June (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2021</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2020</i>
	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>
REVENUES						
Gross written contributions	83,970	-	83,970	66,684	-	66,684
Less: Reinsurance contributions ceded:						
- Local	(20,131)	-	(20,131)	-	-	-
- Foreign	(14,345)	-	(14,345)	(13,384)	-	(13,384)
Net written contributions	49,494	-	49,494	53,300	-	53,300
Change in unearned contributions, net	661	-	661	717	-	717
Net contributions earned	50,155	-	50,155	54,017	-	54,017
Investment fund fee	1,348	-	1,348	1,206	-	1,206
TOTAL REVENUES	51,503	-	51,503	55,223	-	55,223
UNDERWRITING COSTS AND - EXPENSES						
Gross claims paid	(29,620)	-	(29,620)	(9,428)	-	(9,428)
Reinsurers' share of claims paid	23,569	-	23,569	7,265	-	7,265
Net claims paid	(6,051)	-	(6,051)	(2,163)	-	(2,163)
Changes in outstanding claims, net	(119)	-	(119)	(455)	-	(455)
Changes in claims incurred but not reported, net	(1,614)	-	(1,614)	(126)	-	(126)
Net claims incurred	(7,784)	-	(7,784)	(2,744)	-	(2,744)
Investible contributions, net	(32,157)	-	(32,157)	(39,785)	-	(39,785)
Changes in technical reserves, net	146	-	146	(271)	-	(271)
Policy acquisition costs	(1,000)	-	(1,000)	(792)	-	(792)
Supervision and inspection fees	(319)	-	(319)	(333)	-	(333)
TOTAL UNDERWRITING COSTS AND EXPENSES	(41,114)	-	(41,114)	(43,925)	-	(43,925)
NET UNDERWRITING INCOME	10,389	-	10,389	11,298	-	11,298

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 June 2021

16 SUPPLEMENTARY INFORMATION (continued)

b) INTERIM STATEMENT OF INCOME (continued)

	<i>Three-month period ended 30 June (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2021</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2020</i>
	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>
OTHER OPERATING (EXPENSES) / INCOME						
Reversal of / (Allowance for)						
doubtful debts	258	-	258	(145)	-	(145)
General and administration expenses	(7,971)	(1,315)	(9,286)	(6,786)	(1,654)	(8,440)
Unrealised gain on FVIS investments	21	246	267	196	898	1,094
Realised gain on FVIS investments	-	4	4	-	10	10
Other income	-	-	-	600	-	600
TOTAL OTHER OPERATING EXPENSES, NET	(7,692)	(1,065)	(8,757)	(6,135)	(746)	(6,881)
NET SURPLUS FROM OPERATIONS	2,697	(1,065)	1,632	5,163	(746)	4,417
Surplus transferred to Shareholders	(2,427)	2,427	-	(4,646)	4,646	-
NET INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX	270	1,362	1,632	517	3,900	4,417
Zakat	-	(1,557)	(1,557)	-	(1,573)	(1,573)
Income tax	-	-	-	-	-	-
NET INCOME FOR THE PERIOD	270	(195)	75	517	2,327	2,844
Weighted averages number of ordinary shares outstanding (in thousands of shares)		16,667			16,667	
(Losses) / earnings per share for the period (SR)		(0.01)			0.14	

At 30 June 2021

16 SUPPLEMENTARY INFORMATION (continued)**b) INTERIM STATEMENT OF INCOME (continued)**

	<i>Six-month period ended 30 June (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2021</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2020</i>
	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>
REVENUES						
Gross written contributions	167,233	-	167,233	125,131	-	125,131
Less: Reinsurance contributions ceded:						
- Local	(39,813)	-	(39,813)	-	-	-
- Foreign	(27,675)	-	(27,675)	(27,279)	-	(27,279)
Net written contributions	99,745	-	99,745	97,852	-	97,852
Change in unearned contributions, net	(31)	-	(31)	(1,001)	-	(1,001)
Net contributions earned	99,714	-	99,714	96,851	-	96,851
Investment fund fee	2,558	-	2,558	2,436	-	2,436
TOTAL REVENUES	102,272	-	102,272	99,287	-	99,287
UNDERWRITING COSTS AND - EXPENSES						
Gross claims paid	(47,437)	-	(47,437)	(14,816)	-	(14,816)
Reinsurers' share of claims paid	37,577	-	37,577	11,153	-	11,153
Net claims paid	(9,860)	-	(9,860)	(3,663)	-	(3,663)
Changes in outstanding claims, net	(107)	-	(107)	(102)	-	(102)
Changes in claims incurred but not reported, net	(1,308)	-	(1,308)	(251)	-	(251)
Net claims incurred	(11,275)	-	(11,275)	(4,016)	-	(4,016)
Investible contributions, net	(64,955)	-	(64,955)	(69,963)	-	(69,963)
Changes in technical reserves, net	(1,520)	-	(1,520)	(1,515)	-	(1,515)
Policy acquisition costs	(2,015)	-	(2,015)	(1,504)	-	(1,504)
Supervision and inspection fees	(637)	-	(637)	(671)	-	(671)
TOTAL UNDERWRITING COSTS AND EXPENSES	(80,402)	-	(80,402)	(77,669)	-	(77,669)
NET UNDERWRITING INCOME	21,870	-	21,870	21,618	-	21,618

At 30 June 2021

16 SUPPLEMENTARY INFORMATION (continued)**b) INTERIM STATEMENT OF INCOME (continued)**

	<i>Six-month period ended 30 June (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2021</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2020</i>
	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>
OTHER OPERATING (EXPENSES) / INCOME						
Reversal of / (Allowance for) doubtful debts	159	-	159	(313)	-	(313)
General and administration expenses	(16,554)	(2,615)	(19,169)	(13,874)	(3,175)	(17,049)
Unrealised gain / (loss) on FVIS investments	41	3,554	3,595	490	(565)	(75)
Realised gain on FVIS investments	-	12	12	11	17	28
Other income	1,309	-	1,309	3,716	-	3,716
TOTAL OTHER OPERATING (EXPENSES) / INCOME	(15,045)	951	(14,094)	(9,970)	(3,723)	(13,693)
NET SURPLUS FROM OPERATIONS	6,825	951	7,776	11,648	(3,723)	7,925
Surplus transferred to Shareholders	(6,142)	6,142	-	(10,483)	10,483	-
NET INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX	683	7,093	7,776	1,165	6,760	7,925
Zakat	-	(3,251)	(3,251)	-	(3,190)	(3,190)
Income tax	-	-	-	-	-	-
NET INCOME FOR THE PERIOD	683	3,842	4,525	1,165	3,570	4,735
Weighted averages number of ordinary shares outstanding (in thousands of shares)		16,667			16,667	
Earnings per share for the period (SR)		0.23			0.21	

At 30 June 2021

16 SUPPLEMENTARY INFORMATION (continued)**d) INTERIM STATEMENT OF CASH FLOWS**

	Six-month period ended 30 June (Unaudited)					
	Insurance operations SR'000	Shareholders' operations SR'000	2021 SR'000	Insurance operations SR'000	Shareholders' operations SR'000	2020 SR'000
OPERATING ACTIVITIES						
Net income for the period, before zakat and income tax	683	7,093	7,776	1,165	6,760	7,925
Adjustments for the period:						
Depreciation	532	-	532	385	-	385
Amortization of intangible assets	198	-	198	281	-	281
Provision for employee benefits	307	-	307	378	-	378
(Reversal of) / Charge of allowance for doubtful receivables	(159)	-	(159)	313	-	313
Unrealised (gains) / losses on re-measurement of FVIS investments	(41)	(3,554)	(3,595)	(490)	565	75
Income before changes in operating assets and liabilities	1,520	3,539	5,059	2,032	7,325	9,357
<u>Changes in operating assets and liabilities:</u>						
Contributions and reinsurance receivables	1,408	-	1,408	(5,432)	-	(5,432)
Reinsurance share of unearned contributions	(315)	-	(315)	(840)	-	(840)
Reinsurance share of outstanding claims	(12,976)	-	(12,976)	(5,277)	-	(5,277)
Reinsurance share of claims incurred but not reported	(5,351)	-	(5,351)	(1,634)	-	(1,634)
Unit - linked investments	(29,416)	-	(29,416)	13,153	-	13,153
Accrued income	(76)	-	(76)	(197)	-	(197)
Prepayments and other assets	(2,270)	(1,068)	(3,338)	(1,399)	(91)	(1,490)
Accrued income on statutory deposit	-	(44)	(44)	-	(168)	(168)
Accrued expenses and other liabilities	(1,688)	(1,917)	(3,605)	(1,724)	(217)	(1,941)
Reinsurance balances payable	33,686	-	33,686	8,909	-	8,909
Unearned contributions	346	-	346	1,841	-	1,841
Technical reserve for insurance operations	14,864	-	14,864	(10,017)	-	(10,017)
Outstanding claims	13,083	-	13,083	5,379	-	5,379
Claims incurred but not reported	6,659	-	6,659	1,885	-	1,885
Due to a related party	(130)	-	(130)	(121)	-	(121)
Accrued income payable to SAMA	-	44	44	-	168	168
Due from insurance operations	-	10,145	10,145	-	3,686	3,686
Due to shareholders' operations	(10,145)	-	(10,145)	(3,686)	-	(3,686)
Cash from operations	9,199	10,699	19,898	2,872	10,703	13,575
Zakat and income tax paid	-	(15,699)	(15,699)	-	(10,703)	(10,703)
Employee benefits paid	(53)	-	(53)	(18)	-	(18)
Net cash from / (used in) operating activities	9,146	(5,000)	4,146	2,854	-	2,854

At 30 June 2021

16 SUPPLEMENTARY INFORMATION (continued)**d) INTERIM STATEMENT OF CASH FLOWS (continued)**

	<i>Six-month period ended 30 June (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2021</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2020</i>
	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>
INVESTING ACTIVITIES						
Purchase of furniture, fittings and office equipment	(847)	-	(847)	(256)	-	(256)
Addition to intangible assets	(92)	-	(92)	(57)	-	(57)
Redemption of FVIS investments	25,000	5,000	30,000	35,000	-	35,000
Purchase of FVIS investments	(30,000)	-	(30,000)	(25,000)	-	(25,000)
Net cash (used in) / from investing activities	(5,939)	5,000	(939)	9,687	-	9,687
Net increase in cash and cash equivalents	3,207	-	3,207	12,541	-	12,541
Cash and cash equivalents at the beginning of the period	33,700	13	33,713	19,606	13	19,619
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	36,907	13	36,920	32,147	13	32,160

At 30 June 2021

17 SUBSEQUENT EVENTS

Further to the announcement made by the Company on 11 April 2021 (corresponding to 29 Sha'ban 1442H) in relation to the signature of a non-binding memorandum of understanding with Arabian Shield Cooperative Insurance Company ("Arabian Shield") to assess the feasibility of a potential merger between the two companies, the Company announced the signature of a binding merger agreement with Arabian Shield on 12 July 2021 (corresponding to 2 Thul-Hijjah 1442H) (the "Merger Agreement") whereas each Board of Directors of both companies has reached an agreement regarding the conditions under which the Company will be merged into Arabian Shield and all the assets and liabilities of the Company will be transferred to Arabian Shield (the "Merger"). This is in accordance with the Companies Law issued by the Ministry of Commerce and the regulations of the Capital Market Authority of the Kingdom of Saudi Arabia (the "CMA"), including the Mergers and Acquisitions Regulations, the Rules for the Offering of Securities and Continuous Obligations, the Listing Rules issued by the Saudi Stock Exchange Company ("Tadawul") and the relevant regulations of the Saudi Central Bank ("SAMA").

Upon completion of the Merger, the Company's assets and liabilities will be transferred to Arabian Shield. Arabian Shield has been notified by the Board of Directors of the Company that if the terms of the Merger Agreement and the Offer Document comply with the terms of the Merger set out in the announcement, they intend to recommend that the Company's shareholders vote in favor of the proposed decisions to approve the Merger within the Company Extraordinary General Meeting and the opinion of Company's Board of Directors on the Merger will be included in the announcement of the Extraordinary General Meeting of the shareholders of ATC related to the Merger. Arabian Shield announces its firm intention to continue the Merger in accordance with Article 17 of the Mergers and Acquisitions Regulations.

Based on the Merger Agreement, and in the event that the Merger has been approved by all the relevant government entities and by the extraordinary general meetings of both companies, Arabian Shield will increase its share capital from SAR 400,000,000 to SAR 638,524,620 (the "Capital Increase") by issuance of 23,852,462 new ordinary shares with a nominal value of SAR 10 each (the "New Shares") for full subscription by the Company's shareholders, against the purchase of all issued shares held by said shareholders in the Company based on their aggregate nominal value of SAR 166,666,670 such that Arabian Shield will be issuing 1.43114769137705 share against each one (1) share in the Company (the "Exchange Ratio").

Following the Capital Increase, the ownership percentage of the Company's shareholders in the share capital of Merged Entity will be 37.36%, whereas the ownership percentage of the current shareholders in the Merged Entity will be diluted from 100% to 62.64%.

Further to the announcement made by the Company published on Tadawul website dated 12 July 2021 (corresponding to 2 Thul-Hijjah 1442H) in connection with ATC signing a binding merger agreement to merge with Arabian Shield Cooperative Insurance Company ("Arabian Shield").

The Company is pleased to announce to its shareholders that General Authority for Competition (GAC) has issued a no-objection certificate to complete the merger according to GAC certificate issued with reference number 11 dated 8 August 2021 (corresponding to 29 Thul-Hijjah 1442H), and it should be noted that the Agreement is still subject to a number of conditions, including, obtaining the approval of Saudi Central Bank, the Capital Market Authority, the Saudi Stock Exchange Company, and the approvals to be obtained from the extraordinary general meeting of both the Company and Arabian Shield, and the Company will continue to announce any material developments with respect to the progress of the Agreement.

18 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors on 7 Muharram 1443H (corresponding to 15 August 2021).