
ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the three month period ended 31 March 2021

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INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying interim condensed statement of financial position of AlJazira Takaful Taawuni Company - a Saudi Joint Stock Company (the "Company") as at 31 March 2021, and the related interim condensed statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended, and notes to the interim condensed financial statements. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these 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 ('ISAs'), that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

for KPMG Professional Services

Ebrahim Oboud Baeshen
License No. 382

for Al Azem, Al Sudairy, Al Shaikh & Partner:
Certified Public Accountants

Abdullah M. Al Azem
License No. 335



8 Shawwal 1442H
Corresponding to 20 May 2021



ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As at 31 March 2021

	Notes	31 March 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000
ASSETS			
Cash and cash equivalents	5	146,363	106,032
Short term deposits	6	37,500	-
Premium receivable, net	7	26,440	2,503
Due from reinsurers, net		12,788	-
Reinsurers' share of unearned premium	12	20,067	17,423
Reinsurers' share of outstanding claims	13	68,412	43,483
Reinsurers' share of claims incurred but not reported	13	16,512	15,164
Deferred policy acquisition costs		7,518	-
Available for sale investments held to cover unit-linked liabilities	8	1,381,774	1,343,823
Investments	9	613,185	451,811
Due from a related party	14 (b)	59,528	26
Prepayments and other assets		29,003	3,760
Property and equipment		5,914	1,730
Intangible assets		4,638	-
Right of use assets		7,586	-
Goodwill	4	232,948	-
Statutory deposit	17	35,000	35,000
TOTAL ASSETS		2,705,176	2,020,755
LIABILITIES			
Accrued expenses and other liabilities		128,935	51,430
Lease liabilities		7,383	-
Due to agents and third-party service providers		17,774	-
Unearned reinsurance commission		1,137	-
Reinsurance balances payable		23,489	15,300
Unearned premium	12	113,032	34,533
Outstanding claims	13	60,172	49,226
Claims incurred but not reported	13	101,577	17,835
Premium deficiency reserve	11.2	20,095	-
Unit reserves	10	1,387,039	1,349,364
Mathematical reserve	11.1	9,215	9,160
Other technical reserves	11.3	1,877	322
Employee benefits		6,142	3,518
Zakat and income tax	15	4,974	1,282
Due to a related party	14 (c)	984	-
Surplus from Insurance Operations		16,964	15,837
TOTAL LIABILITIES		1,900,789	1,547,807
EQUITY			
Share capital		470,664	350,000
Share premium		197,286	-
Statutory reserve	17	38,348	38,348
Retained earnings		98,501	85,012
TOTAL SHAREHOLDERS' EQUITY		804,799	473,360
Remeasurement reserve of employee benefits - related to Insurance Operations		(412)	(412)
TOTAL EQUITY		804,387	472,948
TOTAL LIABILITIES AND EQUITY		2,705,176	2,020,755

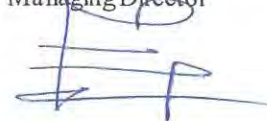
Chairman



Chief Financial Officer



Managing Director



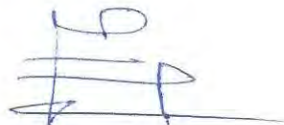
The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF INCOME (UNAUDITED)
For the three month period ended 31 March 2021

	Notes	31 March 2021 SAR'000	31 March 2020 SAR'000
REVENUE			
Gross written premium		49,376	43,555
Investible premium		(32,396)	(34,450)
Reinsurance premium ceded – local		(23)	-
Reinsurance premium ceded – foreign		(4,323)	(3,396)
Net premium written		12,634	5,709
Change in unearned premium, net		20,709	7,088
Net premium earned		33,343	12,797
Reinsurance commission earned		279	-
Other underwriting income		6,774	7,798
TOTAL REVENUES		40,396	20,595
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		(25,462)	(3,569)
Reinsurers' share of claims paid		5,588	3,009
Net claims paid		(19,874)	(560)
Changes in outstanding claims, net		1,919	(198)
Changes in claims incurred but not reported, net		(7,575)	(384)
Net claims incurred		(25,530)	(1,142)
Changes in mathematical reserve	11.1	(55)	2,540
Changes in premium deficiency reserve	11.2	(851)	-
Changes in other technical reserves	11.3	16,989	(800)
Policy acquisition costs		(2,061)	(2,545)
Supervision and inspection fees		(342)	(218)
Other direct underwriting expenses		(4,984)	-
TOTAL UNDERWRITING COSTS AND EXPENSES		(16,834)	(2,165)
NET UNDERWRITING INCOME – C/F		23,562	18,430



Chairman



Chief Financial Officer



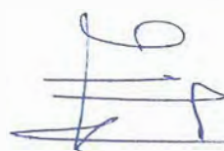
Managing Director

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF INCOME (UNAUDITED) (continued)
For the three month period ended 31 March 2021

	Notes	31 March 2021 SAR'000	31 March 2020 SAR'000
NET UNDERWRITING INCOME – B/F		23,562	18,430
OTHER OPERATING (EXPENSES)/INCOME			
Impairment of premium receivables	7	(138)	(124)
General and administrative expenses		(14,471)	(9,507)
Commission from held to maturity in vestments	9.1	2,385	2,963
Commission income on deposits		7	6
Unrealised gain on FVIS investments	9.2	1,114	374
Realised gain on FVIS in vestments		26	-
Dividend income on FVIS investments		31	-
Other income		2,818	2,520
TOTAL OTHER OPERATING (EXPENSES)/INCOME, NET		(8,228)	(3,768)
Income before surplus, Zakat and income tax		15,334	14,662
Net income attributed to the Insurance Operations		(1,347)	(1,252)
Income for the period attributable to the shareholders' before Zakat and income tax		13,987	13,410
Zakat	15	(451)	(379)
Income tax	15	(47)	(45)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS'		13,489	12,986
Weighted average number of ordinary shares outstanding (in thousands)		39,022	35,000
Earnings per share for the period (SAR) (Basic and diluted)	16	0.346	0.371



Chairman



Chief Financial Officer



Managing Director

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)

For the three month period ended 31 March 2021

	<i>31 March 2021 SAR'000</i>	<i>31 March 2020 SAR'000</i>
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS'	13,489	12,986
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	13,489	12,986



Chairman



Chief Financial Officer



Managing Director

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
For the three month period ended 31 March 2021

	<i>Shareholders' equity</i>						
	<i>Share capital SAR'000</i>	<i>Share premium SAR'000</i>	<i>Statutory reserve SAR'000</i>	<i>Retained earnings SAR'000</i>	<i>Total shareholders' equity SAR'000</i>	<i>Re-measurement reserve of employee benefits – related to insurance operations SAR'000</i>	<i>Total equity SAR'000</i>
Balance at 01 January 2021	350,000	-	38,348	85,012	473,360	(412)	472,948
Net income for the period	-	-	-	13,489	13,489	-	13,489
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	13,489	13,489	-	13,489
Issue of share capital (note 4)	120,664	197,286	-	-	317,950	-	317,950
Balance as at 31 March 2021	470,664	197,286	38,348	98,501	804,799	(412)	804,387
Balance at 01 January 2020	350,000	-	30,595	54,001	434,596	(49)	434,547
Net income for the period	-	-	-	12,986	12,986	-	12,986
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	12,986	12,986	-	12,986
Balance as at 31 March 2020	350,000	-	30,595	66,987	447,582	(49)	447,533



Chairman



Chief Financial Officer



Managing Director

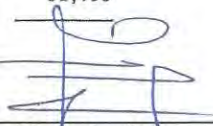
The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CASH FLOWS (continued)
For the three month period ended 31 March 2021

	Notes	31 March 2021 SAR'000	31 March 2020 SAR'000
OPERATING ACTIVITIES			
Net income attributable to the shareholders' before Zakat and income tax		13,987	13,410
Adjustments for the period:			
Net income attributed to the Insurance Operations		1,347	1,252
Impairment of premium receivables	7	138	124
Commission from held to maturity investments	9.1	(2,385)	(2,963)
Unrealised gain on FVIS investments	9.2	(1,114)	(374)
Realised gain on FVIS investments		(26)	-
Dividend income on FVIS investments		(31)	-
Depreciation and amortisation		585	62
Finance cost of lease liability		28	-
Employee benefits		222	165
		<u>12,751</u>	<u>11,676</u>
<i>Changes in operating assets and liabilities:</i>			
Premium receivable		5,006	(1,166)
Due from reinsurers, net		(1,826)	-
Reinsurers' share of unearned premium		7,587	4,034
Unearned premium		(28,296)	(11,122)
Unearned reinsurance commission		(219)	-
Reinsurers' share of outstanding claims		(1,961)	(1,022)
Reinsurers' share of claims incurred but not reported		6,933	(2,649)
Available for sale investments held to cover unit-linked liabilities		(37,951)	176,297
Deferred policy acquisition costs		1,300	-
Due from a related party		(3,211)	(6,731)
Prepayments and other assets		(3,455)	405
Accrued expenses and other liabilities		(5,713)	(6,014)
Due to agents and third-party service providers		(13,673)	-
Reinsurers' balances payable		16	1,422
Outstanding claims		42	1,220
Claims incurred but not reported		642	3,033
Unit reserves		37,675	(174,101)
Mathematical reserve		55	(2,540)
Premium deficiency reserves		851	-
Other technical reserves		(16,989)	800
Cash used in operations		<u>(40,436)</u>	<u>(6,458)</u>
Surplus distributed to policy holders		(260)	-
Employee benefits paid		(389)	(12)
Net cash used in operating activities		<u>(41,085)</u>	<u>(6,470)</u>
INVESTING ACTIVITIES			
Proceeds from disposal of FVIS investments		44,999	-
Proceeds from maturity of held to maturity investments	9.1	167,818	8,000
Purchase of FVIS investments	9.2	(228,000)	(9,032)
Purchase of held to maturity investments	9.1	(50,000)	-
Commission received from held to maturity investments	9.1	5,813	3,223
Dividend income on FVIS investments		31	-
Cash and cash equivalents acquired through business combination (note 4)		140,850	-
Purchase of property and equipment		(43)	(272)
Net cash from investing activities		<u>81,468</u>	<u>1,919</u>


Chairman



Chief Financial Officer


Managing Director


The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CASH FLOWS (continued)
For the three month period ended 31 March 2021

		31 March 2021 SAR'000	31 March 2020 SAR'000
	Notes		
FINANCING ACTIVITIES			
Rentals paid against lease liability		(52)	-
Net cash from financing activities		(52)	-
Net increase / (decrease) in cash and cash equivalents		40,331	(4,551)
Cash and cash equivalents at the beginning of the period	5	106,032	19,687
Cash and cash equivalents at the end of the period	5	146,363	15,136



Chairman



Chief Financial Officer



Managing Director

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
At 31 March 2021

1. GENERAL

AlJazira Takaful Taawuni Company (the "Company"), is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia pursuant to the Council of Ministers' resolution No. 137 dated 27 Rabi' Al-Thani 1431H (corresponding to 12 April 2010) and Royal Decree No. M/23 dated 28 Rabi' Al-Thani 1431H corresponding to 13 April 2010. The Company obtained its Commercial Registration 4030251980 on 2 Ramadan 1434H corresponding to 10 July 2013 and Ministry of Commerce and Industry's Resolution dated 24 Sha'baan 1434H corresponding to 03 July 2013. The Company operates only in the Kingdom of Saudi Arabia. The Company has the following branches and the assets, liabilities and results of operations of these branches and offices are included in these interim condensed financial statements:

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

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

The objectives of the Company are to engage in providing insurance products that includes protection and saving insurance products and related services in accordance with its By-Laws and applicable regulations in the Kingdom of Saudi Arabia. On 13 Jumada al-Thani 1442H (corresponding to 26 January 2021), the Company amended its By-Laws to include the objective of practicing general insurance and health insurance business. The Company received licence number TMN/34/201312 dated 15 Safar 1435H (corresponding to 18 December 2013) from the Saudi Central Bank (SAMA) to conduct insurance business. The Company is owned 99.13% by Saudi shareholders' and general public subject to Zakat and 0.87% by non-Saudi shareholders' subject to incometax.

Further to receipt of regulatory approvals, shareholders of the Company and Solidarity Saudi Takaful Company ("Solidarity") in the Extra Ordinary General Meeting held on 13 Jumada al-Thani 1442H (corresponding to 26 January 2021) approved the proposed merger of the Company and Solidarity pursuant to Articles 191-193 of the Companies Law and Article 49 (a) (1) of the Merger and Acquisitions Regulations issued by the Capital Markets Authority of the Kingdom of Saudi Arabia (the "CMA"). Please refer to note 4 for details.

2. BASIS OF PREPARATION

a) Basis of presentation

The interim condensed financial statements of the Company as at and for the period ended 31 March 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 information is prepared under the going concern basis and the historical cost convention, except for the measurement of investments (excluding held-to-maturity) at their fair value.

The Company's interim condensed statement of financial position is presented in order of liquidity. Except for property and equipment, statutory deposit, employee benefits, lease liabilities, outstanding claims, claims incurred but not reported, unit reserves, mathematical reserve and other technical reserves, all other assets and liabilities are of short-term nature, unless, stated otherwise.

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

ALJAZIRA TAKAFUL TAAWUNI COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

2. BASIS OF PREPARATION (continued)

a) *Basis of presentation (continued)*

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 of the Company as of and for the year ended 31 December 2020 except the impact of merger with Solidarity (refer note 4). The interim condensed financial statements may not be considered indicative of the expected results for the full year. These interim condensed financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousands.

b) *Critical judgments, accounting estimates and assumptions*

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

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

c) *Seasonality of operations*

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) *Amendments to existing accounting standards*

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

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

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

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

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

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective

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

<u>Standard/ Interpretation</u>	<u>Description</u>
IFRS 17	Insurance Contracts
IFRS 9	Financial Instruments
IAS 1	Classification of Liabilities as Current or Non-current
IAS 37	Onerous contracts: Cost of Fulfilling a contract
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
IFRS 3	Reference to Conceptual Framework
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Annual Improvements	Annual Improvements to IFRS Standards 2018-2020

IFRS 17 – Insurance Contracts

Overview

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

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

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

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

Measurement

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

The General model is based on the following “building blocks”:

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

ALJAZIRA TAKAFUL TAAWUNI COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

The CSM is adjusted subsequently for changes in cash flows related to future services but the CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss. The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.

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

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

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

Effective date

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

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 together with amendments to presentation and disclosures.

Impact

The Company is currently assessing the impact of the application and implementation of IFRS 17. As of the date of the publication of these interim condensed financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company. The Company has undertaken a Gap Analysis and the key areas of Gaps are as follows:

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

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

The Company has started with their implementation process and have set up an implementation committee. The Company intends to submit IFRS 17 Phase 3 Implementation plan report to SAMA on 16th May 2021 to comply with the regulatory requirement for the design phase.

IFRS 9 - Financial Instruments

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

Classification and measurement

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

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

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At 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 9 - Financial Instruments (continued)

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

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

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

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

Impairment

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

Hedge accounting

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

Effective date

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

- 1) apply a temporary exemption from implementing IFRS 9 until the earlier of
 - a) the effective date of a new insurance contract standard; or
 - b) annual reporting periods beginning on or after 01 January 2021. The IASB is proposing to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to 01 January 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or;
- 2) adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 9 - Financial Instruments (continued)

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

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

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

Impact assessment

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

4. BUSINESS COMBINATION

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

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

On 14 Rajab 1442 (corresponding to 26 February 2021), the objection period for creditors ended and there were no outstanding objections from the creditors of Solidarity as on this date. Further, on 16 Rajab 1442 (corresponding to 28 February 2021), the Company announced the enforcement of the decision to merge Solidarity into the Company and transfer all the assets and liabilities of Solidarity to the Company after both the Company and Solidarity had fulfilled the merger terms according to the merger agreement concluded between the two companies as described in the shareholders' circular and the offering document issued by the Company. On this date, the net assets and business activities of Solidarity were transferred to the Company in exchange for newly issued shares of the Company. Solidarity was de-listed from Tadawul, following the transfer, however, the commercial registration of Solidarity was not cancelled as of 31 March 2021.

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

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4. BUSINESS COMBINATION (CONTINUED)

Purchase consideration

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

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

Identifiable assets acquired and liabilities assumed

The following table summarises the fair value of assets acquired, and liabilities assumed as at 28 February 2021.

	Insurance Operations SAR'000	Shareholder Operations SAR'000	Total SAR'000
Assets			
Cash and cash equivalents	48,215	92,635	140,850
Short term deposits	-	37,500	37,500
Premium receivable, net	29,081	-	29,081
Due from reinsurers', net	10,962	-	10,962
Investments	-	98,479	98,479
Reinsurers' share of unearned premiums	10,231	-	10,231
Reinsurers' share of outstanding claims	22,968	-	22,968
Reinsurers' share of claims incurred but not reported	8,281	-	8,281
Deferred policy acquisition costs	8,818	-	8,818
Prepayments and other assets	20,375	1,413	21,788
Right of use assets, net	7,743	-	7,743
Property and equipment	4,447	-	4,447
Due from a related party	-	56,291	56,291
Due from Shareholder operations	147,218	-	147,218
Intangible assets	4,760	-	4,760
TOTAL ASSETS	323,099	286,318	609,417
Liabilities			
Due to agents and third-party service providers	31,447	-	31,447
Accrued expenses and other liabilities	33,152	50,066	83,218
Reinsurers' balances payable	8,173	-	8,173
Unearned premium	106,795	-	106,795
Unearned reinsurance commission	1,356	-	1,356
Outstanding claims	10,904	-	10,904
Claims incurred but not reported	83,100	-	83,100
Premium deficiency reserve	19,244	-	19,244
Other technical reserves	18,544	-	18,544
Lease liabilities	7,407	-	7,407
Due to insurance operations	-	147,218	147,218
Due to a related party	146	838	984
Employee benefits	2,791	-	2,791
Zakat and income tax	-	3,194	3,194
Surplus from insurance operations	40	-	40
TOTAL LIABILITIES	323,099	201,316	524,415
Solidarity's net assets at Acquisition date			85,002
Goodwill arising from the acquisition			232,948
Purchase consideration			317,950

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

5. CASH AND CASH EQUIVALENTS

	31 March 2021(Unaudited)			31 December 2020 (Audited)		
	<i>Insurance operations SAR'000</i>	<i>Shareholders' operations SAR'000</i>	<i>Total SAR'000</i>	<i>Insurance operations SAR'000</i>	<i>Shareholders' operations SAR'000</i>	<i>Total SAR'000</i>
Cash in hand	30	-	30	-	-	-
Cash at banks	46,859	3,846	50,705	9,020	3,532	12,552
Mura baha deposits	-	95,628	95,628	63,480	30,000	93,480
Total	46,889	99,474	146,363	72,500	33,532	106,032

- a) Cash and cash equivalents include amount SAR 34,723 thousand (31 December 2020: SAR 105,532 thousand) held with Bank AlJazira “the founding shareholder” as at 31 March 2021.
- b) Mura baha deposits earn commission at an average rate of 0.10% to 2.55% per annum (31 December 2020: 3.00% to 3.20% per annum).

6. SHORT TERM DEPOSITS

This amount represents the Statutory deposit of Solidarity Saudi Takaful Company which was acquired through business combination (refer note 4). Subsequent to period end, on 05 May 2021 the amount was withdrawn upon receipt of SAMA approval.

7. PREMIUM RECEIVABLE, NET

	31 March 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000
<i>Insurance Operations</i>		
Policyholders	33,799	349
Brokers and agents	5,496	-
Related parties (note 14 (d))	2,990	2,356
Impairment of premium receivable	(15,845)	(202)
Premium receivable, net	26,440	2,503

Movement in provision for impairment of premium receivable during the period / year was as follows:

	Three month period ended 31 March 2021 SAR'000 (Unaudited)	Year ended 31 December 2020 SAR'000 (Audited)
Balance at beginning of the period / year	202	238
Acquired through business combination (note 4)	15,505	-
Provision / (reversal) during the period / year	138	(36)
Balance at end of the period / year	15,845	202

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

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

		31 March 2021 (Unaudited)	31 December 2020 (Audited)
Insurance Operations	Denomination		
AlJazira Saudi Riyal Murabaha Fund	SAR	153,596	153,738
AlJazira Diversified Aggressive Fund	SAR	198,174	185,453
AlJazira Diversified Balanced Fund	SAR	55,321	51,320
AlJazira Diversified Conservative Fund	SAR	13,036	11,610
AlJazira International Equities Fund	USD	223,614	222,209
AlJazira Saudi Equities Fund	SAR	313,643	289,910
AlJazira European Equities Fund	USD	177,605	175,771
AlJazira Japanese Equities Fund	USD	246,785	253,812
Total		1,381,774	1,343,823

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

	Three month period ended 31 March 2021 (Unaudited) SAR'000	Year ended 31 December 2020 (Audited) SAR'000
Balance at the beginning of the period/ year	1,343,823	185,178
Insurance portfolio transfer	-	996,927
Redemption during the period/ year, net	(4,532)	(1,743)
Changes in fair value during the period/ year (note 10)	42,483	163,461
Balance at the end of the period/ year	1,381,774	1,343,823

9. INVESTMENTS

	31 March 2021 (Unaudited)			31 December 2020 (Audited)		
	Insurance operations SAR'000	Shareholders' operations SAR'000	Total SAR'000	Insurance operations SAR'000	Shareholders' operations SAR'000	Total SAR'000
Held to maturity investments (9.1)	-	367,602	367,602	16,370	378,978	395,348
FVIS investments (9.2)	113,756	131,827	245,583	53,479	2,984	56,463
Total	113,756	499,429	613,185	69,849	381,962	451,811

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

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9. INVESTMENTS (continued)

9.1 Held to maturity investments

Held to maturity investments represents Sukuk of SAR 367,602 thousand (31 December 2020: SAR 198,264 thousand) with a maturity of 12 to 30 years and Murabaha deposit of SAR Nil (31 December 2020 SAR 178,522 thousand) with a maturity of three years held with Bank AlJazira “the founding shareholder”. The average coupon rate on Sukuk is 1.83% to 5.65% per annum (31 December 2020: 4.01% to 4.10%) and commission rate on Murabaha deposits is 3.00% to 3.20% per annum (31 December 2020: 3.00% to 3.20% per annum).

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

<i>31 March 2021 (Unaudited)</i>			
	<i>Insurance operations SAR ‘000</i>	<i>Shareholders’ operations SAR ‘000</i>	<i>Total SAR ‘000</i>
Balance at the beginning of the period	16,370	378,978	395,348
Acquired through business combination (note 4)	-	93,500	93,500
Placement during the period	-	50,000	50,000
Maturity of held to maturity investments	(16,378)	(151,440)	(167,818)
Commission from held to maturity investments	8	2,377	2,385
Commission received from held to maturity investments	-	(5,813)	(5,813)
Balance at the end of the period	-	367,602	367,602

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

9.2 FVIS investments

The fair value through income statement (“FVIS”) investments represent investment in ‘AlJazira Capital’ managed by a founding shareholder, amounting to SAR 237,062 thousand (31 December 2020: SAR 53,479 thousand), investment in shares of companies listed on Tadawul, amounting to SAR 6,599 thousand (31 December 2020: SAR 2,984 thousand) and investment in Najm, amounting to SAR 1,923 thousand (31 December 2020: SAR Nil).

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9. INVESTMENTS (continued)

9.2 FVIS investments (continued)

Movement in FVIS investments for the period/year ended 31 March 2021 and 31 December 2020 is as follows:

	<i>31 March 2021 (Unaudited)</i>		
	<i>Insurance operations SAR '000</i>	<i>Shareholders' Operations SAR '000</i>	<i>Total SAR '000</i>
Balance at beginning of the period	53,479	2,984	56,463
Acquired through business combination (note 4)	-	4,979	4,979
Purchases during the period	60,000	168,000	228,000
Disposals during the period	-	(44,973)	(44,973)
Changes in fair value	277	837	1,114
Balance at the end of the period	<u>113,756</u>	<u>131,827</u>	<u>245,583</u>
	<i>31 December 2020 (Audited)</i>		
	<i>Insurance operations SAR '000</i>	<i>Shareholders' operations SAR '000</i>	<i>Total SAR '000</i>
Balance at beginning of the year	27,997	-	27,997
Disposals during the year	(29,965)	(25,198)	(55,163)
Purchases during the year	55,000	27,820	82,820
Changes in fair value	447	362	809
Balance at the end of the year	<u>53,479</u>	<u>2,984</u>	<u>56,463</u>

10. UNIT RESERVES

	<i>Three month period ended 31 March 2021 (Unaudited) SAR'000</i>	<i>Year ended 31 December 2020 (Audited) SAR'000</i>
Balance at beginning of the period / year	1,349,364	187,979
Investible premium, net	32,396	143,767
Insurance portfolio transfer	-	996,927
Surrenders	(32,070)	(112,937)
Maturities	(5,134)	(29,833)
Change in fair value of available for sale investments (note 8)	42,483	163,461
Balance at the end of the period / year	<u>1,387,039</u>	<u>1,349,364</u>

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11. MATHEMATICAL, PREMIUM DEFICIENCY AND OTHER TECHNICAL RESERVES

	<i>Three month period ended 31 March 2021 (Unaudited) SAR'000</i>	<i>Year ended 31 December 2020 (Audited) SAR'000</i>
Mathematical reserve (note 11.1)	9,215	9,160
Premium deficiency reserves (note 11.2)	20,095	-
Other technical reserves (note 11.3)	1,877	322
	<u>31,187</u>	<u>9,482</u>

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

11.1 Mathematical reserve

	<i>Three month period ended 31 March 2021 (Unaudited) SAR'000</i>	<i>Year ended 31 December 2020 (Audited) SAR'000</i>
Balance at beginning of the period / year	9,160	360
Insurance portfolio transfer	-	10,980
Changes in mathematical reserve, net	55	(2,180)
Balance at the end of the period / year	<u>9,215</u>	<u>9,160</u>

11.2 Premium deficiency reserve

	<i>Three month period ended 31 March 2021 (Unaudited) SAR'000</i>	<i>Year ended 31 December 2020 (Audited) SAR'000</i>
Acquired through business combination (note 4)	19,244	-
Changes in premium deficiency reserve	851	-
Balance at the end of the period / year	<u>20,095</u>	<u>-</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

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11. MATHEMATICAL AND OTHER RESERVES (continued)

11.3 Other technical reserves

	<i>Three month period ended 31 March 2021 (Unaudited) SAR'000</i>	<i>Year ended 31 December 2020 (Audited) SAR'000</i>
Balance at beginning of the period / year	322	-
Acquired through business combination (note 4)	18,544	-
Changes in other technical reserves, net	(16,989)	322
	<u>1,877</u>	<u>322</u>
Balance at the end of the period / year	<u>1,877</u>	<u>322</u>

12. MOVEMENT IN UNEARNED PREMIUM

	<i>Three month period ended 31 March 2021 (Unaudited)</i>			<i>Year ended 31 December 2020 (Audited)</i>		
	<i>Reinsurers'</i>			<i>Reinsurers'</i>		
	<i>Gross SAR'000</i>	<i>share SAR'000</i>	<i>Net SAR'000</i>	<i>Gross SAR'000</i>	<i>share SAR'000</i>	<i>Net SAR'000</i>
Balance at beginning of the period / year	34,533	(17,423)	17,110	35,087	(12,923)	22,164
Acquired through business combination (note 4)	106,795	(10,231)	96,564	-	-	-
Premium written / (ceded) during the period / year	49,376	(4,346)	45,030	233,934	(35,414)	198,520
	<u>190,704</u>	<u>(32,000)</u>	<u>158,704</u>	<u>269,021</u>	<u>(48,337)</u>	<u>220,684</u>
Investible premium and premium earned during the period / year	(77,672)	11,933	(65,739)	(234,488)	30,914	(203,574)
Balance at the end of the period / year	<u>113,032</u>	<u>(20,067)</u>	<u>92,965</u>	<u>34,533</u>	<u>(17,423)</u>	<u>17,110</u>

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

	<i>Three month period ended 31 March 2021 (Unaudited)</i>			<i>Year ended 31 December 2020 (Audited)</i>		
	<i>Reinsurers'</i>			<i>Reinsurers'</i>		
	<i>Gross</i>	<i>share</i>	<i>Net</i>	<i>Gross</i>	<i>share</i>	<i>Net</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
At beginning of the period / year						
Reported claims	49,226	(43,483)	5,743	33,525	(29,422)	4,103
IBNR	17,835	(15,164)	2,671	7,023	(5,669)	1,354
	<u>67,061</u>	<u>(58,647)</u>	<u>8,414</u>	<u>40,548</u>	<u>(35,091)</u>	<u>5,457</u>
Incurred during the period / year	26,146	(616)	25,530	50,711	(44,915)	5,796
Insurance portfolio transfer	-	-	-	4,941	(4,941)	-
Acquired through business combination (note 4)	94,004	(31,249)	62,755	-	-	-
(Paid) / recovered during the period / year	<u>(25,462)</u>	<u>5,588</u>	<u>(19,874)</u>	<u>(29,139)</u>	<u>26,300</u>	<u>(2,839)</u>
At end of the period / year	<u>161,749</u>	<u>(84,924)</u>	<u>76,825</u>	<u>67,061</u>	<u>(58,647)</u>	<u>8,414</u>
At end of the period / year						
Reported claims	60,172	(68,412)	(8,240)	49,226	(43,483)	5,743
IBNR	101,577	(16,512)	85,065	17,835	(15,164)	2,671
	<u>161,749</u>	<u>(84,924)</u>	<u>76,825</u>	<u>67,061</u>	<u>(58,647)</u>	<u>8,414</u>

14. TRANSACTIONS WITH RELATED PARTIES

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

- a) In addition to the disclosures set out in notes 1, 5, 7, 8 and 9 following are the details of major related party transactions during the three month period ended:

<i><u>Related parties</u></i>	<i><u>Nature of transaction</u></i>	<i><u>Amount of transactions</u></i>	
		<i>31 March 2021 SAR'000</i>	<i>31 March 2020 SAR'000</i>
<i>Bank AlJazira</i>	Commission earned from held to maturity Investment	41	1,369
	Commission income on deposits	10	6
	Gross written premium	739	1,287
	Claims paid	3,594	3,501
	Insurance portfolio transfer	-	53,552
	Investment in equity shares	-	1,208
<i>AlJazira Capital</i>	Profit earned on mutual funds	582	147
<i>Aman Insurance Agency Company</i>	Commission	-	2,071
<i>Board of directors and committee members</i>	Gross written premium	14	13
<i>Key management personnel</i>	Salaries, benefits and allowances, net	1,186	3,023
	Gross written premium	2	5

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

14. TRANSACTIONS WITH RELATED PARTIES (continued)

b) Amount due from a related party

<i>31 March 2021 (Unaudited) SAR'000</i>	<i>31 December 2020 (Audited) SAR'000</i>
AlJazira Capital	26
59,528	26

c) Amount due to a related party

<i>31 March 2021 (Unaudited) SAR'000</i>	<i>31 December 2020 (Audited) SAR'000</i>
Solidarity Group Holding	-
984	-

d) Premium receivable, net shown in interim condensed statement of financial position includes SAR 2,990 thousand (31 December 2020: SAR 2,356 thousand) from Bank AlJazira (the founding shareholder).

e) Outstanding claims shown in statement of financial position includes SAR 41,974 thousand (2020: SAR 41,250 thousand) to Bank AlJazira (the founding shareholder).

15. ZAKAT AND INCOME TAX

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

a) Zakat

	<i>31 March 2021 (Unaudited) SAR'000</i>	<i>31 December 2020 (Audited) SAR'000</i>
Balance at the beginning of period / year	1,137	982
Acquired through business combination (note 4)	3,915	-
Zakat for the period / year	451	1,109
Zakat paid during the period / year	-	(954)
Balance at the end of the period / year	5,503	1,137

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

At 31 March 2021

15. ZAKAT AND INCOME TAX (continued)

b) Income tax

	<i>31 March 2021 (Unaudited) SAR'000</i>	<i>31 December 2020 (Audited) SAR'000</i>
Balance at the beginning of period / year	145	128
Acquired through business combination (note 4)	(721)	-
Income tax for the period / year	47	116
Income tax paid during the period / year	-	(99)
	<u> </u>	<u> </u>
Balance at the end of the period / year	(529)	145
	<u> </u>	<u> </u>
Total Zakat and income tax	4,974	1,282
	<u> </u>	<u> </u>

Status of assessments

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

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

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

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

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

16. EARNINGS PER SHARE

The basic and diluted earnings per share have been calculated by dividing the net income for the period by the weighted average number of ordinary shares issued and outstanding at the period / year end. Diluted earnings per share is not applicable to the Company.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

17. STATUTORY DEPOSIT

As required by the Implementation Regulations, the Company is required to deposit 10% of its paid-up capital in a bank designated by SAMA which amounted to SAR 35,000 thousand as at 31 March 2021. As a result of merger of the Company and Solidarity, subsequent to period end, on 29 April 2021, the Company deposited further amount of SAR 12,066 thousand to meet the requirements of implementing regulations. The amount of statutory deposit cannot be withdrawn without SAMA's approval. This deposit is held with Bank AlJazira "the founding shareholder".

18. FAIR VALUES OF FINANCIAL INSTRUMENTS

- a) Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company's financial assets consist of Cash and Cash equivalents, premium receivable, available for sale investments held to cover unit-linked liabilities, FVIS investments, held to maturity investments, other receivables, due from insurance operations and its financial liabilities consist of other liabilities, reinsurance balances payable and outstanding claims. The fair values of financial instruments are not materially different from their carrying values. As at 31 March 2021, apart from the investments which are carried at fair value (note 6 and 7), there were no other financial instruments held by the Company that were measured at fair value.

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

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

		31 March 2021 (SAR'000)				
		Fair Value (Unaudited)				
	Carrying Value	Amortised cost	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:						
Available for sale investments held to cover unit-linked liabilities	1,381,774	-	-	1,381,774	-	1,381,774
Held to maturity investments	367,602	367,602	-	370,053	-	370,053
FVIS investments	245,583	-	6,599	237,061	1,923	245,583
Total	1,994,959	367,602	6,599	1,988,888	1,923	1,997,410

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

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

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

19. OPERATING SEGMENT INFORMATION

Operating segments are reported in manner consistent with the internal reporting provided to the chief operating decision maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Managing Director that makes strategic decisions. For management purposes, the activities of Insurance Operations, which are all in the Kingdom of Saudi Arabia, are reported under four business units, as detailed below:

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

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

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

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

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

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

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2021

19. OPERATING SEGMENT INFORMATION (continued)

	As at 31 March 2021 (Unaudited)				
	Life	Medical	Motor	General	Total
	SAR ‘000				
ASSETS					
Reinsurers’ share of unearned premiums	12,616	-	-	7,451	20,067
Reinsurers’ share of outstanding claims	41,573	12,746	2,562	11,531	68,412
Reinsurers’ share of claims incurred but not reported	15,388	-	-	1,124	16,512
Deferred policy acquisition costs	203	5,769	562	984	7,518
Available for sale investments held to cover unit-linked liabilities	1,381,774	-	-	-	1,381,774
Total segment assets	1,451,554	18,515	3,124	21,090	1,494,283
Unallocated assets					
Cash and cash equivalents					146,363
Short term deposits					37,500
Premium receivable, net					26,440
Due from reinsurers, net					12,788
Investments					613,185
Due from a related party					59,528
Prepayments and other assets					29,003
Property and equipment					5,914
Intangible assets					4,638
Right of use assets					7,586
Goodwill					232,948
Statutory deposit					35,000
TOTAL ASSETS					2,705,176
LIABILITIES					
Unearned premium	25,136	58,330	19,280	10,286	113,032
Unearned reinsurance commission	-	-	-	1,137	1,137
Outstanding claims	47,473	26,753	(32,064)	18,010	60,172
Claims incurred but not reported	18,539	21,236	60,026	1,776	101,577
Premium deficiency reserve	306	17,041	1,915	833	20,095
Unit reserves	1,387,039	-	-	-	1,387,039
Mathematical reserve	9,215	-	-	-	9,215
Other technical reserves	345	1,532	-	-	1,877
Total segment liabilities	1,488,053	124,892	49,157	32,042	1,694,144
Unallocated liabilities					
Accrued expenses and other liabilities					128,935
Lease liabilities					7,383
Due to agents and third-party service providers					17,774
Reinsurance balances payable					23,489
Employee benefits					6,142
Zakat and income tax					4,974
Due to a related party					984
Surplus from Insurance Operations					16,964
TOTAL LIABILITIES					1,900,789
EQUITY					
Share capital					470,664
Share Premium					197,286
Statutory reserve					38,348
Retained earnings					98,501
TOTAL SHAREHOLDERS’ EQUITY					804,799
Remeasurement reserve of employee benefits - related to Insurance Operations					(412)
TOTAL EQUITY					804,387
TOTAL LIABILITIES AND EQUITY					2,705,176

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

19. OPERATING SEGMENT INFORMATION (continued)

As at 31 December 2020

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

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

19. OPERATING SEGMENT INFORMATION (continued)

	For the three months period ended 31 March 2021 (unaudited)				
	Life	Medical	Motor	General	Total Insurance Operations
	SR'000	SR'000	SR'000	SR'000	SR'000
REVENUES					
Gross written premium:					
Individual	43,142	-	788	61	43,991
Very Small Enterprises	-	700	-	-	700
Small Enterprises	16	1,362	-	-	1,378
Medium Enterprises	27	1,011	330	53	1,421
Corporate	1,236	650	-	-	1,886
Total gross written premium	44,421	3,723	1,118	114	49,376
Investible premium	(32,396)	-	-	-	(32,396)
Reinsurance premium ceded:					
Local	-	(19)	(4)	-	(23)
Foreign	(3,237)	(498)	(192)	(396)	(4,323)
Net written premium	8,788	3,206	922	(282)	12,634
Change in unearned premium, net	5,286	10,388	4,792	243	20,709
Net premiums earned	14,074	13,594	5,714	(39)	33,343
Reinsurance commission earned	-	-	-	279	279
Other underwriting income	5,913	855	6	-	6,774
Total revenues	19,987	14,449	5,720	240	40,396
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid	(4,639)	(12,750)	(8,064)	(9)	(25,462)
Reinsurers' share of claims paid	3,810	1,740	38	-	5,588
Net claims paid	(829)	(11,010)	(8,026)	(9)	(19,874)
Changes in outstanding claims, net	(16)	500	1,416	19	1,919
Changes in claims incurred but not reported, net	(124)	4,702	(13,588)	1,435	(7,575)
Net claims incurred	(969)	(5,808)	(20,198)	1,445	(25,530)
Changes in mathematical reserve	(55)	-	-	-	(55)
Change in premium deficiency reserve	(306)	(8,041)	8,329	(833)	(851)
Change in other technical reserve	-	16,989	-	-	16,989
Policy acquisition costs	(661)	(1,015)	(172)	(213)	(2,061)
Supervision and inspection fees	(222)	(115)	(5)	-	(342)
Other underwriting expenses	(118)	(3,726)	(1,140)	-	(4,984)
TOTAL UNDERWRITING COSTS AND EXPENSES	(2,331)	(1,716)	(13,186)	399	(16,834)
NET UNDERWRITING INCOME / (LOSS)	17,656	12,733	(7,466)	639	23,562
OTHER OPERATING (EXPENSES) / INCOME					
Impairment of premium receivables					(138)
General and administrative expenses					(14,471)
Commission from held to maturity investments					2,385
Commission income on deposits					7
Unrealized gain on FVIS investments					1,114
Realized gain on FVIS investments					26
Dividend income on FVIS investments					31
Other income					2,818
TOTAL OTHER OPERATING EXPENSES, NET					(8,228)
Income before surplus, Zakat and income tax					15,334
Net income attributable to the Insurance Operations					(1,347)
Income for the period attributable to the shareholders' before Zakat and income tax					13,987
Zakat					(451)
Income tax					(47)
NET INCOME FOR THE PERIOD					13,489
ATTRIBUTABLE TO THE SHAREHOLDERS'					13,489

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

19. OPERATING SEGMENT INFORMATION (continued)

For the three months period ended 31 March 2020 (unaudited)

	Life SAR'000
REVENUE	
Gross written premium:	
Individual	42,144
Small Enterprises	-
Medium Enterprises	3
Corporate	1,408
	<hr/>
Total gross written premium	43,555
Investible premium	(34,450)
Reinsurance premium ceded:	
Local	-
Foreign	(3,396)
	<hr/>
Net written premium	5,709
Change in unearned premium, net	7,088
	<hr/>
Net premium earned	12,797
Other underwriting income	7,798
	<hr/>
TOTAL REVENUES	20,595
	<hr/>
UNDERWRITING COSTS AND EXPENSES	
Gross claims paid	(3,569)
Reinsurers' share of claims paid	3,009
	<hr/>
Net claims paid	(560)
Changes in outstanding claims, net	(198)
Changes in claims incurred but not reported, net	(384)
	<hr/>
Net claims incurred	(1,142)
	<hr/>
Changes in mathematical reserve	2,540
Changes in other reserves	(800)
Policy acquisition costs	(2,545)
Supervision and inspection fees	(218)
	<hr/>
TOTAL UNDERWRITING COSTS AND EXPENSES	(2,165)
	<hr/>
NET UNDERWRITING INCOME	18,430
	<hr/>
OTHER OPERATING INCOME / (EXPENSES)	
Impairment of receivables	(124)
General and administrative expenses	(9,507)
Commission from held to maturity Investments	2,963
Commission income on deposits	6
Unrealized gain on FVIS investments	374
Other income	2,520
	<hr/>
TOTAL OTHER OPERATING EXPENSES, NET	(3,768)
	<hr/>
Income before surplus, Zakat and income tax	14,662
Net income attributed to the Insurance Operations	(1,252)
	<hr/>
Income for the period attributable to the shareholders' before Zakat and income tax	13,410
Zakat	(379)
Income tax	(45)
	<hr/>
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS	12,986
	<hr/> <hr/>

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2021

20. SUPPLEMENTARY INFORMATION

a) INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	<i>Insurance operations SAR'000</i>	<i>Shareholders' operations SAR'000</i>	<i>31 March 2021 (Unaudited) SAR'000</i>	<i>Insurance operations SAR'000</i>	<i>Shareholders' operations SAR'000</i>	<i>31 December 2020 (Audited) SAR'000</i>
ASSETS						
Cash and cash equivalents	46,889	99,474	146,363	72,500	33,532	106,032
Short term deposits	-	37,500	37,500	-	-	-
Premium receivable, net	26,440	-	26,440	2,503	-	2,503
Due from reinsurers, net	12,788	-	12,788	-	-	-
Reinsurers' share of unearned premium	20,067	-	20,067	17,423	-	17,423
Reinsurers' share of outstanding claims	68,412	-	68,412	43,483	-	43,483
Reinsurers' share of claims incurred but not reported	16,512	-	16,512	15,164	-	15,164
Deferred policy acquisition costs	7,518	-	7,518	-	-	-
Available for sale investments held to cover unit-linked liabilities	1,381,774	-	1,381,774	1,343,823	-	1,343,823
Investments	113,756	499,429	613,185	69,849	381,962	451,811
Due from a related party	3,207	56,321	59,528	-	26	26
Prepayments and other assets	24,855	4,148	29,003	3,760	-	3,760
Property and equipment	5,914	-	5,914	1,730	-	1,730
Intangible assets	4,638	-	4,638	-	-	-
Right of use assets	7,586	-	7,586	-	-	-
Goodwill	-	232,948	232,948	-	-	-
Statutory deposit	-	35,000	35,000	-	35,000	35,000
Due from Shareholder / Insurance operations	97,925	-	97,925	-	31,674	31,674
	<u>1,838,281</u>	<u>964,820</u>	<u>2,803,101</u>	<u>1,570,235</u>	<u>482,194</u>	<u>2,052,429</u>
Less: Inter-operations eliminations	(97,925)	-	(97,925)	-	(31,674)	(31,674)
TOTAL ASSETS	<u>1,740,356</u>	<u>964,820</u>	<u>2,705,176</u>	<u>1,570,235</u>	<u>450,520</u>	<u>2,020,755</u>
LIABILITIES						
Accrued expenses and other liabilities	72,651	56,284	128,935	43,878	7,552	51,430
Lease liabilities	7,383	-	7,383	-	-	-
Due to agents and third-party service providers	17,774	-	17,774	-	-	-
Unearned reinsurance commission	1,137	-	1,137	-	-	-
Reinsurance balances payable	23,489	-	23,489	15,300	-	15,300
Unearned premium	113,032	-	113,032	34,533	-	34,533
Outstanding claims	60,172	-	60,172	49,226	-	49,226
Claims incurred but not reported	101,577	-	101,577	17,835	-	17,835
Premium Deficiency Reserve	20,095	-	20,095	-	-	-
Unit reserves	1,387,039	-	1,387,039	1,349,364	-	1,349,364
Mathematical reserve	9,215	-	9,215	9,160	-	9,160
Other technical reserves	1,877	-	1,877	322	-	322
Employee benefits	6,142	-	6,142	3,518	-	3,518
Zakat and income tax	-	4,974	4,974	-	1,282	1,282
Due to a related party	146	838	984	-	-	-
Surplus from Insurance Operations	16,964	-	16,964	15,837	-	15,837
Due to Shareholders' / insurance operations	-	97,925	97,925	31,674	-	31,674
	<u>1,838,693</u>	<u>160,021</u>	<u>1,998,714</u>	<u>1,570,647</u>	<u>8,834</u>	<u>1,579,481</u>
Less: Inter-operations eliminations	-	(97,925)	(97,925)	(31,674)	-	(31,674)
TOTAL LIABILITIES	<u>1,838,693</u>	<u>62,096</u>	<u>1,900,789</u>	<u>1,538,973</u>	<u>8,834</u>	<u>1,547,807</u>
EQUITY						
Share capital	-	470,664	470,664	-	350,000	350,000
Share Premium	-	197,286	197,286	-	-	-
Statutory reserve	-	38,348	38,348	-	38,348	38,348
Retained earnings	-	98,501	95,501	-	85,012	85,012
Re-measurement reserve of employee benefits – related to Insurance Operations	(412)	-	(412)	(412)	-	(412)
TOTAL EQUITY	<u>(412)</u>	<u>804,799</u>	<u>804,387</u>	<u>(412)</u>	<u>473,360</u>	<u>472,948</u>
TOTAL LIABILITIES AND EQUITY	<u>1,838,281</u>	<u>866,895</u>	<u>2,705,176</u>	<u>1,538,561</u>	<u>482,194</u>	<u>2,020,755</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

20. SUPPLEMENTARY INFORMATION (continued)

b) INTERIM CONDENSED STATEMENT OF INCOME

	<i>Three month period ended 31 March (Unaudited)</i>				
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2021</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
					<i>2020</i>
					<i>SAR'000</i>
REVENUE					
Gross written premium	49,376	-	49,376	43,555	-
Investible premium	(32,396)	-	(32,396)	(34,450)	-
Reinsurance premium ceded:					
Local	(23)	-	(23)	-	-
Foreign	(4,323)	-	(4,323)	(3,396)	-
Net written premium	12,634	-	12,634	5,709	-
Change in unearned premium, net	20,709	-	20,709	7,088	-
Net premium earned	33,343	-	33,343	12,797	-
Reinsurance commission earned	279	-	279	-	-
Other underwriting income	6,774	-	6,774	7,798	-
TOTAL REVENUES	40,396	-	40,396	20,595	-
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid	(25,462)	-	(25,462)	(3,569)	-
Reinsurers' share of claims paid	5,588	-	5,588	3,009	-
Net claims paid	(19,874)	-	(19,874)	(560)	-
Changes in outstanding claims, net	1,919	-	1,919	(198)	-
Changes in IBNR, net	(7,575)	-	(7,575)	(384)	-
Net claims incurred	(25,530)	-	(25,530)	(1,142)	-
Changes in mathematical reserve	(55)	-	(55)	2,540	-
Changes in premium deficiency reserves	(851)	-	(851)	-	-
Changes in other technical reserves	16,989	-	16,989	(800)	-
Policy acquisition costs	(2,061)	-	(2,061)	(2,545)	-
Supervision and inspection fees	(342)	-	(342)	(218)	-
Other direct underwriting expenses	(4,984)	-	(4,984)	-	-
TOTAL UNDERWRITING COSTS AND EXPENSES	(16,834)	-	(16,834)	(2,165)	-
NET UNDERWRITING INCOME	23,562	-	23,562	18,430	-
OTHER OPERATING (EXPENSES)/ INCOME					
Impairment of premium receivables	(138)	-	(138)	(124)	-
General and administrative expenses	(13,045)	(1,426)	(14,471)	(8,569)	(938)
Commission from held to maturity investments	8	2,377	2,385	114	2,849
Commission income on deposits	5	2	7	6	-
Unrealized gain on FVIS investments	277	837	1,114	147	227
Realized gain on FVIS investments	-	26	26	-	-
Dividend income on FVIS investments	-	31	31	-	-
Other income	2,801	17	2,818	2,519	1
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(10,092)	1,864	(8,228)	(5,907)	2,139

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2021

20. SUPPLEMENTARY INFORMATION (continued)

b) INTERIM CONDENSED STATEMENT OF INCOME (continued)

	<i>Three month period ended 31 March (Unaudited)</i>					
	<i>Insurance operations SAR'000</i>	<i>Shareholders' operations SAR'000</i>	<i>2021 SAR'000</i>	<i>Insurance operations SAR'000</i>	<i>Shareholders' operations SAR'000</i>	<i>2020 SAR'000</i>
NET SURPLUS FROM OPERATIONS	13,470	1,864	15,334	12,523	2,139	14,662
Surplus transferred to shareholders'	<u>(12,123)</u>	<u>12,123</u>	<u>-</u>	<u>(11,271)</u>	<u>11,271</u>	<u>-</u>
NET INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX	1,347	13,987	15,334	1,252	13,410	14,662
Zakat	-	(451)	(451)	-	(379)	(379)
Income tax	<u>-</u>	<u>(47)</u>	<u>(47)</u>	<u>-</u>	<u>(45)</u>	<u>(45)</u>
NET INCOME FOR THE PERIOD	<u>1,347</u>	<u>13,489</u>	<u>14,836</u>	<u>1,252</u>	<u>12,986</u>	<u>14,238</u>
Weighted average number of ordinary shares outstanding (in thousands)	<u>-</u>	<u>39,022</u>	<u>39,022</u>	<u>-</u>	<u>35,000</u>	<u>35,000</u>
Basic and diluted earnings per share for the period (SAR)	<u>-</u>	<u>0.346</u>	<u>-</u>	<u>-</u>	<u>0.371</u>	<u>-</u>

c) INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	<i>Three month period ended 31 March (Unaudited)</i>					
	<i>Insurance operations SAR'000</i>	<i>Shareholders' operations SAR'000</i>	<i>2021 SAR'000</i>	<i>Insurance operations SAR'000</i>	<i>Shareholders' operations SAR'000</i>	<i>2020 SAR'000</i>
NET INCOME FOR THE PERIOD	1,347	13,489	14,836	1,252	12,986	14,238
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>1,347</u>	<u>13,489</u>	<u>14,836</u>	<u>1,252</u>	<u>12,986</u>	<u>14,238</u>

- Share of insurance operations surplus split in the ratio of 90/10 between shareholders' and insurance operations and presented separately is now presented as an expense in interim condensed statement of income (refer note 20 (b) and (d)).

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

At 31 March 2021

20. SUPPLEMENTARY INFORMATION (continued)

d) INTERIM CONDENSED STATEMENT OF CASH FLOWS

Three month period ended 31 March (Unaudited)

	<i>Insurance operations SAR'000</i>	<i>Shareholders' operations SAR'000</i>	<i>2021 SAR'000</i>	<i>Insurance operations SAR'000</i>	<i>Shareholders' operations SAR'000</i>	<i>2020 SAR'000</i>
OPERATING ACTIVITIES						
Net income for the period before Zakat and income tax	1,347	13,987	15,334	1,252	13,410	14,662
Adjustments for the period:						
Impairment of premium receivables	138	-	138	124	-	124
Commission from held to maturity investments	(8)	(2,377)	(2,385)	(114)	(2,849)	(2,963)
Unrealized gain on FVIS investments	(277)	(837)	(1,114)	(147)	(227)	(374)
Realized gain on FVIS investments	-	(26)	(26)	-	-	-
Dividend income on FVIS investments	-	(31)	(31)	-	-	-
Depreciation and amortisation	585	-	585	62	-	62
Finance cost of lease liability	28	-	28	-	-	-
Employee benefits	222	-	222	165	-	165
	<u>2,035</u>	<u>10,716</u>	<u>12,751</u>	<u>1,342</u>	<u>10,334</u>	<u>11,676</u>
Changes in operating assets and liabilities:						
Premiums receivable	5,006	-	5,006	(1,166)	-	(1,166)
Due from reinsurers, net	(1,826)	-	(1,826)	-	-	-
Reinsurers' share of unearned premium	7,587	-	7,587	4,034	-	4,034
Unearned premium	(28,296)	-	(28,296)	(11,122)	-	(11,122)
Unearned reinsurance commission	(219)	-	(219)	-	-	-
Reinsurers' share of outstanding claims	(1,961)	-	(1,961)	(1,022)	-	(1,022)
Reinsurers' share of claims IBNR	6,933	-	6,933	(2,649)	-	(2,649)
Available for sale investments held to cover unit-linked liabilities	(37,951)	-	(37,951)	176,297	-	176,297
Deferred policy acquisition costs	1,300	-	1,300	-	-	-
Due from a related party	(3,207)	(4)	(3,211)	(4,732)	(1,999)	(6,731)
Prepayments and other receivables	(720)	(2,735)	(3,455)	388	17	405
Accrued expenses and other liabilities	(4,379)	(1,334)	(5,713)	(4,295)	(1,719)	(6,014)
Due to agents and third-party service providers	(13,673)	-	(13,673)	-	-	-
Reinsurers' balances payable	16	-	16	1,422	-	1,422
Outstanding claims	42	-	42	1,220	-	1,220
Claims incurred but not reported	642	-	642	3,033	-	3,033
Unit reserves	37,675	-	37,675	(174,101)	-	(174,101)
Mathematical reserve	55	-	55	(2,540)	-	(2,540)
Premium deficiency reserves	851	-	851	-	-	-
Other technical reserves	(16,989)	-	(16,989)	800	-	800
Due to Shareholders' Operations / Insurance Operations	<u>17,619</u>	<u>(17,619)</u>	<u>-</u>	<u>11,114</u>	<u>(11,114)</u>	<u>-</u>
Cash used in operations	<u>(29,460)</u>	<u>(10,976)</u>	<u>(40,436)</u>	<u>(1,977)</u>	<u>(4,481)</u>	<u>(6,458)</u>
Surplus distributed to policy holders	(260)	-	(260)	-	-	-
Employee benefits paid	(389)	-	(389)	(12)	-	(12)
Net cash used in operating activities	<u>(30,109)</u>	<u>(10,976)</u>	<u>(41,085)</u>	<u>(1,989)</u>	<u>(4,481)</u>	<u>(6,470)</u>
INVESTING ACTIVITIES						
Proceeds from disposal of FVIS investments	-	44,999	44,999	-	-	-
Proceeds from maturity of held to maturity investments	16,378	151,440	167,818	-	8,000	8,000
Purchase of FVIS investments	(60,000)	(168,000)	(228,000)	-	(9,032)	(9,032)
Purchase of held to maturity investments	-	(50,000)	(50,000)	-	-	-
Commission received from held to maturity investments	-	5,813	5,813	-	3,223	3,223
Dividend income on FVIS investments	-	31	31	-	-	-
Cash and cash equivalents acquired through Business combination	48,215	92,635	140,850	-	-	-
Purchase of property and equipment	(43)	-	(43)	(272)	-	(272)
Net cash from / (used in) investing activities	<u>4,550</u>	<u>76,918</u>	<u>81,468</u>	<u>(272)</u>	<u>2,191</u>	<u>1,919</u>
FINANCING ACTIVITIES						
Rentals paid against lease liability	(52)	-	(52)	-	-	-
Net cash used in financing activities	<u>(52)</u>	<u>-</u>	<u>(52)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase / (decrease) in Cash and Cash equivalents	<u>(25,611)</u>	<u>65,942</u>	<u>40,331</u>	<u>(2,261)</u>	<u>(2,290)</u>	<u>(4,551)</u>
Cash and Cash equivalents at the beginning of the period	<u>72,500</u>	<u>33,532</u>	<u>106,032</u>	<u>15,454</u>	<u>4,233</u>	<u>19,687</u>
Cash and Cash equivalents at the end of the period	<u>46,889</u>	<u>99,474</u>	<u>146,363</u>	<u>13,193</u>	<u>1,943</u>	<u>15,136</u>

ALJAZIRA TAKAFUL TAAWUNI COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

21. 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. In case of sukuk classified under held to maturity, the Company has performed an assessment to determine whether there is a significant decline in the fair value of financial assets below their cost. Based on these assessments, the Company's management believes that the Covid-19 pandemic has had no material effects on Company's reported results for the period ended 31 March 2021. The Company's management continues to monitor the situation closely.

• Credit risk management

The Company has strengthened its credit risk management policies to address the fast changing and evolving risks posed by the current circumstances. These include 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
- Food
- Airlines
- Freight Companies
- Hotels

• 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.

ALJAZIRA TAKAFUL TAAWUNI COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

21. IMPACT OF COVID-19 (continued)

• Claims

The Company's management has duly considered the impact of claims history in the current estimate of future contractual cash flows of the insurance contracts in force as at 31 March 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.

• Medical technical reserves

Based on the management's assessment, the management believes that the Government's decision to assume the medical treatment costs for both Saudi citizens and expatriates has helped in reducing any unfavorable impact. During the lockdown, the acquired company Solidarity Saudi Takaful Company ("Solidarity") saw a decline in medical reported claims (majorly elective and non-chronic treatment claims) which resulted in a drop in claims experience. However, subsequent to the lifting of lockdown since 21 June 2020, Solidarity experienced a surge in claims which was in line with the expectations of Solidarity's management. Since, the Company has acquired Solidarity (refer note 4), the Company's management has duly considered the impact of surge in Solidarity's medical claims in the current estimate of future contractual cashflows of the insurance contracts in force as at 31 March 2021 for its liability adequacy test. Based on the results, the Company has booked an amount of SAR 17.04 million as a premium deficiency reserve.

• Motor technical reserves

In response to the Covid-19 pandemic, SAMA issued a circular 189 (the "circular") dated 08 May 2020 to all insurance companies in the Kingdom of Saudi Arabia. Amongst other things, the circular instructed insurance companies to extend the period of validity of all existing retail motor insurance policies by further two months as well as providing a two-month additional coverage for all new retail motor policies written within one month of this circular. The Management, in conjunction with its appointed actuary, deliberated on a variety of internal factors and concluded, that the Company considers the extension of two months in exiting motor policies as new policy and record a premium deficiency reserve amounting to SAR 1.92 million based on the expected claims for the extended 2 months period.

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 31 March 2021. 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.

22. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors on 3 Shawwal 1442H, corresponding to 15 May 2021.