
ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the three month period ended 31 March 2020

INDEX	PAGE
Independent Auditors' Review Report	1
Interim Condensed Statement of Financial Position	2
Interim Condensed Statement of Income	3 - 4
Interim Condensed Statement of Comprehensive Income	5
Interim Condensed Statement of Changes in Equity	6
Interim Condensed Statement of Cash Flows	7 - 8
Notes to the Interim Condensed Financial Statements	9 – 32



Al Fozan & Partners
Certified Public Accountants
9th Floor, Zahran Business Centre
Prince Sultan Street
P. O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
License No. 46/11/323 issued 11/3/1992



Crowe

Al Azem, Al Sudairy, Al Shaikh & Partners
CPA's & Consultants
Member Crowe Global

P. O. Box 10504
Riyadh 11443
Kingdom of Saudi Arabia

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 2020, 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.

Other Matter

The financial statements of the Company for the three month period ended 31 March 2019 were reviewed by another auditors' who expressed an unmodified opinion and conclusions thereon vide their report dated 11 May 2019.

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 Al Fozan & Partners
Certified Public Accountants

Ebrahim Oboud Baeshen
License No. 382

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

Abdullah M. Al Azem
License No. 335

26 Shawwal 1441H
Corresponding to 18 June 2020



ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As at 31 March 2020

		31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
	Notes		
ASSETS			
Cash at bank	4	15,136	19,687
Contributions receivable, net	5	3,136	2,094
Reinsurers' share of unearned contributions	10	8,889	12,923
Reinsurers' share of outstanding claims	11	35,885	29,422
Reinsurers' share of claims incurred but not reported	11	8,318	5,669
Available for sale investments held to cover unit-linked liabilities	6	1,005,808	185,178
Investments	7	412,560	411,414
Due from related parties	12 (b)	90,650	30,367
Prepayments and other assets		2,068	2,473
Fixtures, furniture and equipment		1,019	809
Statutory deposit		35,000	35,000
TOTAL ASSETS		1,618,469	735,036
LIABILITIES			
Accrued expenses and other liabilities		15,083	18,651
Reinsurance balances payable		12,197	10,775
Unearned contributions	10	23,965	35,087
Outstanding claims	11	40,186	33,525
Claims incurred but not reported	11	10,056	7,023
Unit reserves	8	1,010,805	187,979
Mathematical reserve	9.1	8,800	360
Other reserves	9.2	12,458	-
Employee benefits		2,777	2,624
Zakat and income tax	13	1,534	1,110
Surplus from Insurance Operations		33,075	3,355
TOTAL LIABILITIES		1,170,936	300,489
EQUITY			
Share capital		350,000	350,000
Statutory reserve		30,595	30,595
Retained earnings		66,987	54,001
TOTAL SHAREHOLDERS' EQUITY		447,582	434,596
Remeasurement reserve of employee benefits - related to Insurance Operations		(49)	(49)
TOTAL EQUITY		447,533	434,547
TOTAL LIABILITIES AND EQUITY		1,618,469	735,036

Chairman

Chief Financial Officer

Managing Director

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

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF INCOME (UNAUDITED)
For the three month period ended 31 March 2020

	31 March 2020	31 March 2019 (Restated) - (note 18)
	SR'000	SR'000
REVENUE		
Gross written contributions	43,555	17,377
Contributions ceded:		
Local	-	-
Foreign	(3,396)	(1,050)
Net written contributions	40,159	16,327
Change in unearned contributions, net	7,088	5,889
Net contributions earned	47,247	22,216
Other underwriting income	7,798	172
TOTAL REVENUES	55,045	22,388
UNDERWRITING COSTS AND EXPENSES		
Gross claims paid	(3,569)	(2,158)
Reinsurers' share of claims paid	3,009	1,686
Net claims paid	(560)	(472)
Changes in outstanding claims, net	(198)	(936)
Changes in claims incurred but not reported, net	(384)	776
Net claims incurred	(1,142)	(632)
Investible contributions, net	(34,450)	(13,091)
Changes in mathematical reserve	2,540	35
Changes in other reserves	(800)	-
Policy acquisition costs	(2,545)	(1,016)
Supervision and inspection fees	(218)	(87)
TOTAL UNDERWRITING COSTS AND EXPENSES	(36,615)	(14,791)
NET UNDERWRITING INCOME – C/F	18,430	7,597

Chairman

Chief Financial Officer

Managing Director

The accompanying notes I to 20 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) (continued)
For the three month period ended 31 March 2020

	Note	31 March 2020	31 March 2019
		SR'000	(Restated) - (note 18) SR'000
NET UNDERWRITING INCOME – B/F		18,430	7,597
OTHER OPERATING (EXPENSES)/INCOME			
Impairment of receivables		(124)	(117)
General and administrative expenses		(9,507)	(2,513)
Commission from held to maturity investments		2,963	2,415
Commission income on deposits		6	12
Unrealised gain on FVIS investments		374	541
Realised gain on FVIS investments		-	20
Other income		2,520	97
TOTAL OTHER OPERATING (EXPENSES)/INCOME, NET		(3,768)	455
Income before surplus, Zakat and income tax		14,662	8,052
Net income attributed to the Insurance Operations		(1,252)	(602)
Income for the period attributable to the shareholders' before Zakat and income tax		13,410	7,450
Zakat		(379)	(214)
Income tax		(45)	(36)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS'		12,986	7,200
Weighted average number of ordinary shares outstanding (in thousands)		35,000	35,000
Earnings per share for the period (SR) (Basic and diluted)	14	0.371	0.206



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 2020

	31 March 2020	31 March 2019 (Restated) - (note 18)
	SR'000	SR'000
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS'	12,986	7,200
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	12,986	7,200



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 2020

	<i>Shareholders' equity</i>				<i>Re-measurement reserve of employee benefits – related to insurance operations SR'000</i>	<i>Total equity SR'000</i>
	<i>Share capital SR'000</i>	<i>Statutory reserve SR'000</i>	<i>Retained earnings SR'000</i>	<i>Total shareholders' equity SR'000</i>		
Balance at 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
Balance at 01 January 2019	350,000	23,253	24,635	397,888	82	397,970
Net income for the period – restated	-	-	7,200	7,200	-	7,200
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	7,200	7,200	-	7,200
Balance as at 31 March 2019	350,000	23,253	31,835	405,088	82	405,170

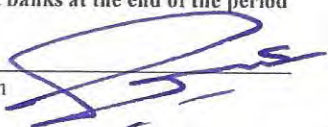

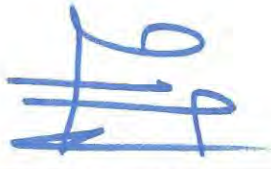

Chairman


Chief Financial Officer


Managing Director

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


ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CASH FLOWS (continued)
For the three month period ended 31 March 2020

	31 March 2020 SR'000	31 March 2019 SR'000
OPERATING ACTIVITIES		
Net income attributable to the shareholders' before Zakat and income tax	13,410	7,450
Adjustments for non-cash items:		
Net income attributed to the Insurance Operations	1,252	602
Reinsurers' share of unearned contributions	4,034	3,334
Unearned contributions	(11,122)	(9,223)
Impairment of receivables	124	117
Commission from held to maturity investments	(2,963)	(2,415)
Unrealised gain on FVIS investments	(374)	(541)
Realised gain on FVIS investments	-	(20)
Depreciation	62	21
Employee benefits	165	166
	<u>4,588</u>	<u>(509)</u>
<i>Changes in operating assets and liabilities:</i>		
Contributions receivable, net	(1,166)	(169)
Reinsurers' share of outstanding claims	(1,022)	(7,638)
Reinsurers' share of claims incurred but not reported	(2,649)	340
Available for sale investments held to cover unit-linked liabilities	176,297	(21,111)
Due from related parties	(6,731)	(5,176)
Prepayments and other assets	405	(123)
Accrued expenses and other liabilities	(6,014)	(2,251)
Reinsurers' balances payable	1,422	(878)
Outstanding claims	1,220	8,574
Claims incurred but not reported	3,033	(1,116)
Unit reserves	(174,101)	20,319
Mathematical reserve	(2,540)	(35)
Other reserves	800	-
Cash used in operations	<u>(6,458)</u>	<u>(9,773)</u>
Employee benefits paid	(12)	(6)
Net cash used in operating activities	<u>(6,470)</u>	<u>(9,779)</u>
INVESTING ACTIVITIES		
Proceeds from disposal of FVIS investments	-	5,000
Proceeds from disposal of held to maturity investments	8,000	-
Purchase of FVIS investments	(9,032)	-
Commission received from held to maturity investments	3,223	-
Purchase of fixtures, furniture and equipment	(272)	(230)
Net cash from investing activities	<u>1,919</u>	<u>4,770</u>
Net decrease in cash at banks	<u>(4,551)</u>	<u>(5,009)</u>
Cash at banks at the beginning of the period	19,687	17,062
Cash at banks at the end of the period	<u>15,136</u>	<u>12,053</u>
Chairman		Managing Director 
Chief Financial Officer		

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

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CASH FLOWS (continued)
For the three month period ended 31 March 2020

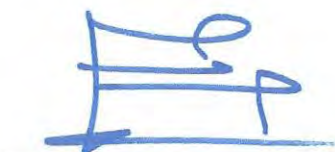
	31 March 2020 SR'000	31 March 2019 SR'000
Supplemental non-cash information		
Reinsurers' share of outstanding claims	(5,441)	-
Available for sale investments held to cover unit-linked liabilities	(996,927)	-
Due from related parties	(53,552)	-
Accrued expenses and other liabilities	2,446	-
Outstanding claims	5,441	-
Unit reserves	996,927	-
Mathematical reserve	10,980	-
Other reserves	11,658	-
Surplus from Insurance Operations	28,468	-



Chairman



Chief Financial Officer



Managing Director

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

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2020

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 the Branches are included in these interim condensed financial statements:

<i>Branch</i>	<i>CR Number</i>	<i>Date</i>
Riyadh	1010519290	24 Jumada Al-Awal 1440
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. The Company received licence number TMN/34/201312 dated 15 Safar 1435H (corresponding to 18 December 2013) from the Saudi Arabian Monetary Authority (SAMA) to conduct insurance business. The Company is owned 98.92% by Saudi founding shareholders' and general public subject to Zakat and 1.08% by non-Saudi founding shareholders' subject to income tax.

The insurance portfolio and related assets and liabilities have been acquired from a founding shareholder by the Company on the completion of valuation and approval by SAMA. During the year ended 31 December 2019, the Company and Bank AlJazira have received a no objection certificate from SAMA to transfer the insurance portfolio through letter dated 26 Rabi' Al-Thani 1441 AH (corresponding to 23 December 2019). The insurance portfolio has been transferred with effect from 01 January 2020 and the financial impact of transfer are as follows:

	Carrying value of assets and liabilities SR'000
Assets	
Available for sale investments held to cover unit-linked liabilities	996,927
Bank AlJazira ("the founding shareholder") (note 12)	53,552
Reinsurers' share of outstanding claims	5,441
Total assets	1,055,920
Liabilities	
Outstanding claims	5,441
Unit reserves	996,927
Mathematical reserve	10,980
Other reserves	11,658
Surplus from Insurance Operations	28,468
Accrued expenses and other liabilities	2,446
Total liabilities	1,055,920

Furthermore, in accordance with the Transitional Agreement (the "Agreement") between the Company and Bank AlJazira ("the founding shareholder"), all the general and administrative costs up to the transfer of the insurance portfolio will be shared by the Company and the founding shareholder in the ratio of 17% and 83%, respectively. Currently, the Company is also using fixtures, furniture and equipment of a founding shareholder. Moreover, in accordance with the Agreement, the Company was receiving a management fee for managing the insurance portfolio of the founding shareholder, at a rate ranging from 10% to 20% of total revenue of the founding shareholder's portfolio ("Portfolio Management fee"). As per the agreement, the management fee is not effective for the period subsequent to 01 April 2015. However, with effect from 01 January 2020, these provisions of the Agreement are not applicable.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2020

1. GENERAL (continued)

The Company has announced the signing of a non-binding Memorandum of Understanding (the “MOU”) with Solidarity Saudi Takaful Company on 23 Shawwal 1440H (corresponding to 26 June 2019) to evaluate a potential merger between the two Companies. Both companies will conduct technical, financial, legal and actuarial due diligence and engage in non-binding discussions on the terms and conditions of the potential merger. The MOU would expire at the earlier of the signing of the merger agreement or in the third quarter of 2020. The merger will however remain conditional upon shareholders’ and regulatory approvals. The Company and Solidarity Saudi Takaful Company have agreed that, in the event the proposed merger occurs, it will be implemented by way of a share swap wherein, after the proposed merger is completed, the Company will issue new shares to Solidarity Saudi Takaful Company shareholders’ in exchange for all issued shares of Solidarity Saudi Takaful Company.

The two companies have initially agreed that the methodology used for valuation will be based on equity book value (after any mutually agreed due diligence adjustments) and that the swap ratio between the Company and the shareholders’ of Solidarity Saudi Takaful Company shall be calculated using the respective adjusted equity book value per share as at a mutually agreed cut-off date. The Company has appointed a financial advisor for the proposed merger. Subsequent to the year end, the Company has appointed external consultants to conduct financial, legal and actuarial due diligence.

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 2020 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 Certified Public 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 fixtures, furniture and equipment, statutory deposit, employee benefits, outstanding claims, claims incurred but not reported, unit reserves and mathematical reserve, all other assets and liabilities are of short-term nature, unless, stated otherwise.

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

The interim condensed financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as of and for the year ended 31 December 2019. 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 (SR) and are rounded off to the nearest thousands.

b) Critical judgments, accounting estimates and assumptions

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

In preparing these interim condensed financial statements, the significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied to the annual financial statements as at and for the year ended 31 December 2019. However, the Company has reviewed the key sources of estimation uncertainties disclosed in the last annual financial statements against the backdrop of the COVID-19 pandemic. The Company considered potential impacts of the current economic volatility in the determination of the reported amounts of the Company’s financial and non-financial assets. These are considered to represent management’s best assessment based on observable information. Markets, however, remain volatile, and the recorded amounts remain sensitive to market fluctuations. The changes in circumstances may require further enhanced disclosures in the financial statements of the Company for subsequent periods.

c) Seasonality of operations

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

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Company for the preparation of these interim condensed financial statements are in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and are consistent with those used for the preparation of the annual financial statements for the year ended 31 December 2019. Certain comparatives pertaining to period ended 31 March 2019 have been revised due to change in accounting policy for presentation of Zakat and income tax, as explained in note 18 to these interim condensed financial statements.

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

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

<u>Standard/ Amendments</u>	<u>Description</u>
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Conceptual Framework	Amendments to References to Conceptual Framework in IFRS Standards

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

b) Standards issued but not yet effective

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

<u>Standard/ Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
IFRS 9	Financial Instruments	See note below
IFRS 17	Insurance Contracts (note below)	See note below

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).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

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.

The CSM is adjusted subsequently for changes in cash flows related to future services but the CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss. Interest is also accreted on the CSM at rates locked in at initial recognition of a contract (i.e. discount rate used at inception to determine the present value of the estimated cash flows). Moreover, the CSM will be released into profit or loss based on coverage units, reflecting the quantity of the benefits provided and the expected coverage duration of the remaining contracts in the group.

The Variable Fee Approach (VFA) is a mandatory model for measuring contracts with direct participation features (also referred to as ‘direct participating contracts’). This assessment of whether the contract meets these criteria is made at inception of the contract and not reassessed subsequently. For these contracts, 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 01 January 2021. Under the current exposure draft, it is proposed to amend the IFRS 17 effective date to reporting periods beginning on or after 01 January 2023. This is a deferral of 1 year compared to the previous date of 01 January 2021. 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.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

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 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:

Impact Area	Summary of Impact
Data impact and IT Systems	<ul style="list-style-type: none"> • New chart of accounts to be developed for PAA/ GMM/VFA; • Actuarial and accounting data will be needed at more granular level; • Discount rates will need to be stored for group of contracts and tracked for interest accretion calculation under GMM; • Embedded risk adjustment calculation in the actuarial system; • Identification of key inputs for onerous contracts test as well as defining ‘facts and circumstance’ for PAA contracts; • Calculation and tracking of contractual service margin; and • Calculation of coverage period of risk attaching reinsurance contract.
Impact on RI Arrangements	<ul style="list-style-type: none"> • Insurance contract liabilities / assets is required to be reported gross of reinsurance and a separate reinsurance asset / liability shall be reported; • The cash flows (after factoring any expected credit loss) shall be reported gross (before reinsurance) and undiscounted; and • Cancellation clauses to be reviewed to assess the impact on measurement models relevant for these contracts.
Process Impact	<ul style="list-style-type: none"> • Finance, actuarial, underwriting and IT processes to be built suitable for IFRS 17 together with new set of controls and governance framework; • New reconciliation processes to be put in place between accounting, actuarial and underwriting data sources; • Setting up new accounting policies each suitable for measurement model and technical decisions for each area; • Monitor terms and conditions attaching to insurance and reinsurance contracts; • New expense allocation process acquisition costs, claims settlement costs and underwriting costs to be put in place to identify profitability at a contract level; • For recognition, advance premium receipts to be compared to contract receipt date; • Cash receipts for premiums need to be tracked at policy level; and • 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 needs to be put in place • Project plan for design and implementation to be set at activities level

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:

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 9 - Financial Instruments (continued)

Classification and measurement (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.

The Company has performed a detailed assessment beginning 01 January 2017: (1) The carrying amount of the Company's liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and (2) the total carrying amount of the company's liabilities connected with insurance were compared to the total carrying amount of all its liabilities. Based on these assessments the Company determined that it is eligible for the temporary exemption. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are included in the Company's financial statements.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 9 - Financial Instruments (continued)

Impact assessment

As at 31 December 2019, the Company has total financial assets and insurance related assets amounting to SR 731,754 thousand and SR 50,108 thousand, respectively. Currently, financial assets held at amortized cost consist of cash at banks and certain other receivables amounting to SR 518,579 thousand (31 December 2018: SR 408,533 thousand). Other financial assets consist of available for sale investments amounting to SR 185,178 thousand (31 December 2018: SR 128,230 thousand). The Company expects to use the FVOCI classification of these financial assets based on the business model of the Company for debt securities and strategic nature of equity investments. However, the Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9. Investment in funds classified under available for sale investments will be at FVSI under IFRS 9. As at 31 December 2019 these debt securities are measured at fair value of SR 185,178 thousand with changes in fair value during the year of SR 21,963 thousand. Other financial assets have a fair value of SR 27,997 thousand as at 31 December 2019 with a fair value change during the year of SR 735 thousand. The Company financial assets have low credit risk as at 31 December 2019 and 31 December 2018. The above is based on high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9: However, the impact of the same is not expected to be significant. At present it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review.

4. CASH AT BANK

	<i>Insurance operations SR'000</i>	<i>Shareholders' operations SR'000</i>	<i>Total SR'000</i>
31 March 2020 (Unaudited)			
Cash at bank	13,193	1,943	15,136
31 December 2019 (Audited)			
Cash at bank	15,454	4,233	19,687

Cash at bank, except for an amount SR 0.5 million (31 December 2019: SR 0.5 million) are held with Bank AlJazira "the founding shareholder".

5. CONTRIBUTIONS RECEIVABLE, NET

	<i>31 March 2020 (Unaudited) SR'000</i>	<i>31 December 2019 (Audited) SR'000</i>
Insurance Operations		
Gross contributions receivable	3,498	2,332
Impairment of receivables	(362)	(238)
Contributions receivable, net	3,136	2,094

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2020

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

	<i>Initial cost value SR'000</i>	<i>Changes in fair value SR'000</i>	<i>31 March 2020 (Unaudited) SR'000</i>
Insurance Operations			
AlJazira Saudi Riyal Murabaha Fund	150,956	806	151,762
AlJazira Diversified Aggressive Fund	146,792	(29,858)	116,934
AlJazira Diversified Balanced Fund	39,687	(4,729)	34,958
AlJazira Diversified Conservative Fund	7,421	(265)	7,156
AlJazira International Equities Fund	192,274	(33,483)	158,791
AlJazira Saudi Equities Fund	263,702	(41,546)	222,156
AlJazira European Equities Fund	164,753	(30,500)	134,253
AlJazira Japanese Equities Fund	209,229	(29,431)	179,798
	<u>1,174,814</u>	<u>(169,006)</u>	<u>1,005,808</u>
	<i>Initial cost value SR'000</i>	<i>Changes in fair value SR'000</i>	<i>31 December 2019 (Audited) SR'000</i>
Insurance Operations			
AlJazira Saudi Riyal Murabaha Fund	732	18	750
AlJazira Diversified Aggressive Fund	122,153	18,544	140,697
AlJazira Diversified Balanced Fund	34,058	3,159	37,217
AlJazira Diversified Conservative Fund	6,272	242	6,514
	<u>163,215</u>	<u>21,963</u>	<u>185,178</u>

Investment of Insurance operations comprises of units of mutual funds dominated in Saudi Riyal managed by AlJazira Capital “the founding shareholder”.

7. INVESTMENTS

	<i>31 March 2020 (Unaudited)</i>			<i>31 December 2019 (Audited)</i>		
	<i>Insurance operations SR'000</i>	<i>Shareholders' operations SR'000</i>	<i>Total SR'000</i>	<i>Insurance operations SR'000</i>	<i>Shareholders' operations SR'000</i>	<i>Total SR'000</i>
Held to maturity investments (7.1)	16,028	359,129	375,157	15,914	367,503	383,417
FVIS investments (7.2)	28,144	9,259	37,403	27,997	-	27,997
Total	<u>44,172</u>	<u>368,388</u>	<u>412,560</u>	<u>43,911</u>	<u>367,503</u>	<u>411,414</u>

7.1 Held to maturity investments

Held to maturity investments represents Murabaha deposit of SR 178,522 thousand (31 December 2019: SR 185,153 thousand) with a maturity of three years held with Bank AlJazira “the founding shareholder” and Sukuk of SR 196,635 thousand (31 December 2019: SR 198,264 thousand) with a maturity of 12 to 30 years. The average commission rate on Murabaha deposits at 31 March 2020 is 3.00% to 3.20% per annum (31 December 2019: 3.00% to 3.20% per annum) and coupon rate on Sukuk is 4.01% to 4.10% per annum (31 December 2019: 4.01% to 4.10%).

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2020

7. INVESTMENTS (continued)

7.1 Held to maturity investments (continued)

The movement in the held to maturity investments for the period/year ended 31 March 2020 and 31 December 2019 is as follows:

<i>31 March 2020 (Unaudited)</i>			
	<i>Insurance operations SR'000</i>	<i>Shareholders' operations SR'000</i>	<i>Total SR'000</i>
Balance at the beginning of the period	15,914	367,503	383,417
Disposals during the period	-	(8,000)	(8,000)
Commission from held to maturity investments	114	2,849	2,963
Commission received from held to maturity investments	-	(3,223)	(3,223)
Balance at the end of the period	16,028	359,129	375,157

<i>31 December 2019 (Audited)</i>			
	<i>SAR '000</i>	<i>SAR '000</i>	<i>SAR '000</i>
Balance at the beginning of the year	15,458	306,923	322,381
Placements during the year	-	197,800	197,800
Maturities during the year	-	(145,423)	(145,423)
Commission from held to maturity investments	456	9,620	10,076
Commission received from held to maturity investments	-	(1,417)	(1,417)
Balance at the end of the year	15,914	367,503	383,417

7.2 FVIS investments

The fair value through income statement ("FVIS") investments represent investment in 'AlJazira Capital' managed by a founding shareholder, amounting to SR 28,144 thousand (31 December 2019: SR 27,997 thousand), and investment in shares of companies listed on Tadawul, amounting to SR 9,259 thousand (31 December 2019: nil).

Movement in FVIS investments for the period/year ended 31 March 2020 and 31 December 2019 is as follows:

<i>31 March 2020 (Unaudited)</i>			
	<i>Insurance operations SR'000</i>	<i>Shareholders' Operations SR'000</i>	<i>Total SR'000</i>
Balance at beginning of the period	27,997	-	27,997
Purchases during the period	-	9,032	9,032
Disposals during the period	-	-	-
Changes in fair value	147	227	374
Balance at the end of the period	28,144	9,259	37,403

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2020

7. INVESTMENTS (continued)

7.2 FVIS investments (continued)

	<i>31 December 2019 (Audited)</i>		
	<i>Insurance operations SR '000</i>	<i>Shareholders' operations SR '000</i>	<i>Total SR '000</i>
Balance at beginning of the year	43,072	30,376	73,448
Disposals during the year	(15,810)	(35,295)	(51,105)
Purchases during the year	-	4,919	4,919
Changes in fair value	735	-	735
	<u>27,997</u>	<u>-</u>	<u>27,997</u>
Balance at the end of the year	<u>27,997</u>	<u>-</u>	<u>27,997</u>

8. UNIT RESERVES

	<i>Three month period ended 31 March 2020 (Unaudited) SR'000</i>	<i>Year ended 31 December 2019 (Audited) SR'000</i>
Balance at beginning of the period/year	187,979	130,290
Investible contributions, net	34,450	57,466
Insurance portfolio transfer (note 1)	996,927	-
Maturities	(7,227)	-
Surrenders	(32,318)	(21,740)
Change in fair value of available for sale investments (note 6)	(169,006)	21,963
	<u>1,010,805</u>	<u>187,979</u>
Balance at the end of the period/year	<u>1,010,805</u>	<u>187,979</u>

9. OTHER RESERVES

	<i>Three month period ended 31 March 2020 (Unaudited) SR'000</i>	<i>Year ended 31 December 2019 (Audited) SR'000</i>
Mathematical reserve (note 9.1)	8,800	360
Other reserves (note 9.2)	12,458	-
	<u>21,258</u>	<u>360</u>
	<u>21,258</u>	<u>360</u>

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

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2020

9. OTHER RESERVES (continued)

9.1 Mathematical reserve

	<i>Three month period ended 31 March 2020 (Unaudited) SR'000</i>	<i>Year ended 31 December 2019 (Audited) SR'000</i>
Balance at beginning of the period/year	360	557
Insurance portfolio transfer (note 1)	10,980	-
Changes in mathematical reserve, net	(2,540)	(197)
Balance at the end of the period/year	<u>8,800</u>	<u>360</u>

9.2 Other reserves

	<i>Three month period ended 31 March 2020 (Unaudited) SR'000</i>	<i>Year ended 31 December 2019 (Audited) SR'000</i>
Insurance portfolio transfer (note 1)	11,658	-
Changes in other reserves, net	800	-
Balance at the end of the period/year	<u>12,458</u>	<u>-</u>

10. MOVEMENT IN UNEARNED CONTRIBUTIONS

	<i>Three month period ended 31 March 2020 (Unaudited)</i>			<i>Year ended 31 December 2019 (Audited)</i>		
	<i>Reinsurers'</i>			<i>Reinsurers'</i>		
	<i>Gross SR'000</i>	<i>share SR'000</i>	<i>Net SR'000</i>	<i>Gross SR'000</i>	<i>share SR'000</i>	<i>Net SR'000</i>
Balance at beginning of the period/year	35,087	(12,923)	22,164	22,774	(9,006)	13,768
Contributions written/(ceded) during the period/year	43,555	(3,396)	40,159	130,283	(20,815)	109,468
	<u>78,642</u>	<u>(16,319)</u>	<u>62,323</u>	<u>153,057</u>	<u>(29,821)</u>	<u>123,236</u>
Investible contributions and contributions earned during the period/year	(54,677)	7,430	(47,247)	(117,970)	16,898	(101,072)
Balance at the end of the period/year	<u>23,965</u>	<u>(8,889)</u>	<u>15,076</u>	<u>35,087</u>	<u>(12,923)</u>	<u>22,164</u>

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2020

11. OUTSTANDING CLAIMS

	<i>Three month period ended 31 March 2020 (Unaudited)</i>			<i>Year ended 31 December 2019 (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>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
At beginning of the period/year						
Reported claims	33,525	(29,422)	4,103	10,015	(7,918)	2,097
IBNR	7,023	(5,669)	1,354	10,997	(8,089)	2,908
	<u>40,548</u>	<u>(35,091)</u>	<u>5,457</u>	<u>21,012</u>	<u>(16,007)</u>	<u>5,005</u>
Incurred during the period/year	13,263	(12,121)	1,142	31,381	(29,004)	2,377
(Paid)/recovered during the period/year	(3,569)	3,009	(560)	(11,845)	9,920	(1,925)
	<u>50,242</u>	<u>(44,203)</u>	<u>6,039</u>	<u>40,548</u>	<u>(35,091)</u>	<u>5,457</u>
At end of the period/year						
Reported claims	40,186	(35,885)	4,301	33,525	(29,422)	4,103
IBNR	10,056	(8,318)	1,738	7,023	(5,669)	1,354
	<u>50,242</u>	<u>(44,203)</u>	<u>6,039</u>	<u>40,548</u>	<u>(35,091)</u>	<u>5,457</u>

12. TRANSACTIONS WITH RELATED PARTIES

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

- a) In addition to the disclosures set out in notes 1, 4, 6 and 7 following are the details of major related party transactions during the three month period ended:

<i>Related parties</i>	<i>Nature of transaction</i>	<i>Amount of transactions</i>	
		<i>31 March 2020 (Unaudited) SR'000</i>	<i>31 March 2019 (Unaudited) SR'000</i>
<i>Bank AlJazira</i>	Commission earned from held to maturity investment	1,369	2,415
	Commission income on deposits	6	12
	Gross written contributions	1,287	962
	Claims paid	3,501	1,575
	Insurance portfolio transfer (note 1)	53,552	-
	Investment in equity shares	1,208	-
<i>AlJazira Capital</i>	Profit earned on mutual funds	147	487
<i>Aman Insurance Agency Company</i>	Commission	2,071	-
<i>Board of directors and committee members</i>	Gross written contributions	13	13
<i>Key management personnel</i>	Salaries, benefits and allowances, net	3,023	442
	Gross written contributions	5	13

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2020

12. TRANSACTIONS WITH RELATED PARTIES (continued)

b) Amount due from related parties

31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Bank AlJazira (see note 1)	28,176
AlJazira Capital	2,191
90,650	30,367

c) Contributions receivable shown in interim condensed statement of financial position includes SR 3,025 thousand (31 December 2019: SR 1,732 thousand) from Bank AlJazira (the founding shareholder).

13. 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 2020 and year ended 31 December 2019 is as follows:

a) Zakat

31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Balance at the beginning of period/year	907
Zakat for the period/year	947
Zakat paid during the period/year	(872)
1,361	982

b) Income tax

Balance at the beginning of period/year	128	132
Income tax for the period/year	45	100
Income tax paid during the period/year	-	(104)
173	128	
Total Zakat and income tax	1,534	1,110

Status of assessments

The Company has submitted its Zakat and income tax returns for the years 2014 to 2018 with General Authority of Zakat and Tax ("GAZT") and obtained restricted certificates.

During 2019, GAZT 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 SR 41,166 thousand. The Company has filed an appeal against these initial assessments and is confident of a favourable outcome.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2020

14. EARNINGS PER SHARE

The basic and diluted earnings per share have been calculated by dividing the net income for the period by the weighted average number of ordinary shares issued and outstanding at the period end. Diluted earnings per share is not applicable to the Company. Basic and diluted earnings per share has also been revised due to change in accounting policy for the presentation of Zakat and income tax as explained in note 18 to these interim condensed financial statements.

15. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

The Company's financial assets consist of cash at banks, contributions 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 2020, 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 2020 (SR'000)			
		<u>Fair value (Unaudited)</u>			
	<u>Carrying value</u>	<u>Amortised cost</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
<u>Financial assets measured at fair value:</u>					
Available for sale investments held to cover unit-linked liabilities	1,005,808	-	-	1,005,808	1,005,808
Investments	412,560	196,635	187,781	235,796	423,577
Total	1,418,368	196,635	187,781	1,241,604	1,429,385

		31 December 2019 (SR'000)			
		<u>Fair value (Audited)</u>			
	<u>Carrying value</u>	<u>Amortised cost</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
<u>Financial assets measured at fair value:</u>					
Available for sale investments held to cover unit-linked liabilities	185,178	-	-	185,178	185,178
Investments	411,414	198,264	185,153	225,945	411,098
Total	596,592	198,264	185,153	411,123	596,276

There are no financial assets where fair value is measurable as Level 3 fair value.
There are no transfers between Level 1, Level 2 and Level 3 during the period.

16. OPERATING SEGMENT INFORMATION

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

Insurance – individual segment offers life insurance products on an individual basis including unit linked investment-oriented products.

Insurance – group life has segment offers life protection 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 2020

16. OPERATING SEGMENT INFORMATION (continued)

	<i>As at 31 March 2020 (Unaudited)</i>		
	<i>Individual</i>	<i>Group</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
ASSETS			
Contributions receivable, net	-	3,136	3,136
Reinsurers' share of unearned contributions	-	8,889	8,889
Reinsurers' share of outstanding claims	6,009	29,876	35,885
Reinsurers' share of claims incurred but not reported	-	8,318	8,318
Available for sale investments held to cover unit-linked liabilities	1,005,808	-	1,005,808
	<u>1,011,817</u>	<u>50,219</u>	<u>1,062,036</u>
Unallocated assets:			
Cash at banks			15,136
Investments			412,560
Due from related parties			90,650
Prepayments and other assets			2,068
Fixtures, furniture and equipment			1,019
Statutory deposit			35,000
TOTAL ASSETS			<u><u>1,618,469</u></u>
LIABILITIES			
Reinsurance balances payable	2,843	9,354	12,197
Unearned contributions	-	23,965	23,965
Outstanding claims	6,168	34,018	40,186
Claims incurred but not reported	-	10,056	10,056
Unit reserves	1,010,805	-	1,010,805
Mathematical reserve	8,800	-	8,800
Other reserves	12,458	-	12,458
	<u>1,041,074</u>	<u>77,393</u>	<u>1,118,467</u>
Unallocated liabilities and surplus:			
Accrued expenses and other liabilities			15,083
Employee benefits			2,777
Zakat and income tax			1,534
Surplus from Insurance Operations			33,075
TOTAL LIABILITIES			<u><u>1,170,936</u></u>
EQUITY			
Share capital			350,000
Statutory reserve			30,595
Retained earnings			66,987
TOTAL SHAREHOLDERS' EQUITY			<u>447,582</u>
Remeasurement reserve of employee benefits - related to Insurance Operations			(49)
TOTAL EQUITY			<u><u>447,533</u></u>
TOTAL LIABILITIES AND EQUITY			<u><u>1,618,469</u></u>

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2020

16. OPERATING SEGMENT INFORMATION (continued)

	<i>As at 31 December 2019 (Audited)</i>		
	<i>Individual</i>	<i>Group</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
ASSETS			
Contributions receivable, net	-	2,094	2,094
Reinsurers' share of unearned contributions	-	12,923	12,923
Reinsurers' share of outstanding claims	77	29,345	29,422
Reinsurers' share of claims incurred but not reported	-	5,669	5,669
Available for sale investments held to cover unit link liabilities	185,178	-	185,178
	<u>185,255</u>	<u>50,031</u>	<u>235,286</u>
Unallocated assets:			
Cash at banks			19,687
Investments			411,414
Due from related parties			30,367
Prepayments and other assets			2,473
Fixtures, furniture and equipment			809
Statutory deposit			35,000
TOTAL ASSETS			<u>735,036</u>
LIABILITIES			
Reinsurers' balances payable	160	10,615	10,775
Unearned contributions	-	35,087	35,087
Outstanding claims	257	33,268	33,525
Claims incurred but not reported	-	7,023	7,023
Unit and other reserves	187,979	-	187,979
Mathematical reserve	360	-	360
	<u>188,756</u>	<u>85,993</u>	<u>274,749</u>
Unallocated liabilities and surplus:			
Accrued expenses and other liabilities			18,651
Employee benefits			2,624
Zakat and income tax			1,110
Surplus from Insurance Operations			3,355
TOTAL LIABILITIES			<u>300,489</u>
EQUITY			
Share capital			350,000
Statutory reserve			30,595
Retained earnings			54,001
TOTAL SHAREHOLDERS' EQUITY			<u>434,596</u>
Remeasurement reserve of employee benefits - related to Insurance Operations			(49)
TOTAL EQUITY			<u>434,547</u>
TOTAL LIABILITIES AND EQUITY			<u>735,036</u>

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2020

16. OPERATING SEGMENT INFORMATION (continued)

	<i>For the three month period ended 31 March 2020 (Unaudited)</i>		
	<i>Individual SR'000</i>	<i>Group SR'000</i>	<i>Total SR'000</i>
REVENUE			
Gross written contributions:			
Individual	42,144	-	42,144
Small Enterprises	-	-	-
Medium Enterprises	-	3	3
Corporate	-	1,408	1,408
Total gross written contributions	42,144	1,411	43,555
Contributions ceded:			
Local	-	-	-
Foreign	(2,734)	(662)	(3,396)
Net written contributions	39,410	749	40,159
Change in unearned contributions, net	-	7,088	7,088
Net contributions earned	39,410	7,837	47,247
Other underwriting income	7,798	-	7,798
TOTAL REVENUES	47,208	7,837	55,045
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(70)	(3,499)	(3,569)
Reinsurers' share of claims paid	21	2,988	3,009
Net claims paid	(49)	(511)	(560)
Changes in outstanding claims, net	21	(219)	(198)
Changes in claims incurred but not reported, net	-	(384)	(384)
Net claims incurred	(28)	(1,114)	(1,142)
Investible contributions, net	(34,450)	-	(34,450)
Changes in mathematical reserve	2,540	-	2,540
Changes in other reserves	(800)	-	(800)
Policy acquisition costs	(2,508)	(37)	(2,545)
Supervision and inspection fees	(211)	(7)	(218)
TOTAL UNDERWRITING COSTS AND EXPENSES	(35,457)	(1,158)	(36,615)
NET UNDERWRITING INCOME	11,751	6,679	18,430
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
TOTAL OTHER OPERATING EXPENSES, NET			(3,768)
Income before surplus, Zakat and income tax			14,662
Net income attributed to the Insurance Operations			(1,252)
Income for the period attributable to the shareholders' before Zakat and income tax			13,410
Zakat			(379)
Income tax			(45)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS'			12,986

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2020

16. OPERATING SEGMENT INFORMATION (continued)

	<i>For the three month period ended 31 March 2019 (Unaudited)</i>		
	<i>Individual SR'000</i>	<i>Group SR'000</i>	<i>Total SR'000</i>
REVENUE			
Gross written contributions:			
Individual	16,193	-	16,193
Micro Enterprises	-	-	-
Small Enterprises	-	61	61
Medium Enterprises	-	-	-
Corporate	-	1,123	1,123
Total gross written contributions	16,193	1,184	17,377
Contributions ceded:			
Local	-	-	-
Foreign	(220)	(830)	(1,050)
Net written contributions	15,973	354	16,327
Change in unearned contributions, net	-	5,889	5,889
Net contributions earned	15,973	6,243	22,216
Other underwriting income	172	-	172
TOTAL REVENUES	16,145	6,243	22,388
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	-	(2,158)	(2,158)
Reinsurance share of claims paid	-	1,686	1,686
Net claims paid	-	(472)	(472)
Changes in outstanding claims, net	(21)	(915)	(936)
Changes in IBNR, net	-	776	776
Net claims incurred	(21)	(611)	(632)
Investible contributions, net	(13,091)	-	(13,091)
Change in mathematical reserve	35	-	35
Policy acquisition costs	(856)	(160)	(1,016)
Supervision and inspection fees	(81)	(6)	(87)
TOTAL UNDERWRITING COSTS AND EXPENSES	(14,014)	(777)	(14,791)
NET UNDERWRITING INCOME	2,131	5,466	7,597
OTHER OPERATING (EXPENSES)/ INCOME			
Impairment of receivables			(117)
General and administrative expenses			(2,513)
Commission from held to maturity Investments			2,415
Commission income on deposits			12
Unrealized gain on FVIS investments			541
Realized gain on FVIS investments			20
Other income			97
TOTAL OTHER OPERATING INCOME, NET			455
Income before surplus, Zakat and income tax			8,052
Net income attributed to the Insurance Operations			(602)
Income for the period attributable to the shareholders' before Zakat and income tax			7,450
Zakat			(214)
Income tax			(36)
Net income for the year attributable to the shareholders'			7200

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2020

17. SUPPLEMENTARY INFORMATION

a) INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>31 March 2020 (Unaudited)</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>31 December 2019 (Audited)</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
ASSETS						
Cash at bank	13,193	1,943	15,136	15,454	4,233	19,687
Contributions receivable, net	3,136	-	3,136	2,094	-	2,094
Reinsurers' share of unearned contributions	8,889	-	8,889	12,923	-	12,923
Reinsurers' share of outstanding claims	35,885	-	35,885	29,422	-	29,422
Reinsurers' share of claims incurred but not reported	8,318	-	8,318	5,669	-	5,669
Available for sale investments held to cover unit-linked liabilities	1,005,808	-	1,005,808	185,178	-	185,178
Investments	44,172	368,388	412,560	43,911	367,503	411,414
Due from related parties	86,460	4,190	90,650	28,176	2,191	30,367
Prepayments and other assets	2,017	51	2,068	2,405	68	2,473
Due from Insurance Operations	-	40,521	40,521	-	29,407	29,407
Fixtures, furniture and equipment	1,019	-	1,019	809	-	809
Statutory deposit	-	35,000	35,000	-	35,000	35,000
	<u>1,208,897</u>	<u>450,093</u>	<u>1,658,990</u>	<u>326,041</u>	<u>438,402</u>	<u>764,443</u>
Less: Inter-operations eliminations	-	(40,521)	(40,521)	-	(29,407)	(29,407)
TOTAL ASSETS	<u>1,208,897</u>	<u>409,572</u>	<u>1,618,469</u>	<u>326,041</u>	<u>408,995</u>	<u>735,036</u>
LIABILITIES						
Accrued expenses and other liabilities	14,106	977	15,083	15,955	2,696	18,651
Reinsurance balances payable	12,197	-	12,197	10,775	-	10,775
Unearned contributions	23,965	-	23,965	35,087	-	35,087
Outstanding claims	40,186	-	40,186	33,525	-	33,525
Claims incurred but not reported	10,056	-	10,056	7,023	-	7,023
Unit reserves	1,010,805	-	1,010,805	187,979	-	187,979
Mathematical reserve	8,800	-	8,800	360	-	360
Other reserves	12,458	-	12,458	-	-	-
Employee benefits	2,777	-	2,777	2,624	-	2,624
Zakat and income tax	-	1,534	1,534	-	1,110	1,110
Due to Shareholders' Operations	40,521	-	40,521	29,407	-	29,407
Surplus from Insurance Operations	33,075	-	33,075	3,355	-	3,355
	<u>1,208,946</u>	<u>2,511</u>	<u>1,211,457</u>	<u>326,090</u>	<u>3,806</u>	<u>329,896</u>
Less: Inter-operations eliminations	(40,521)	-	(40,521)	(29,407)	-	(29,407)
TOTAL LIABILITIES	<u>1,168,425</u>	<u>2,511</u>	<u>1,170,936</u>	<u>296,683</u>	<u>3,806</u>	<u>300,489</u>
EQUITY						
Share capital	-	350,000	350,000	-	350,000	350,000
Statutory reserve	-	30,595	30,595	-	30,595	30,595
Retained earnings	-	66,987	66,987	-	54,001	54,001
Re-measurement reserve of employee benefits – related to Insurance Operations	(49)	-	(49)	(49)	-	(49)
TOTAL EQUITY	<u>(49)</u>	<u>447,582</u>	<u>447,533</u>	<u>(49)</u>	<u>434,596</u>	<u>434,547</u>
TOTAL LIABILITIES AND EQUITY	<u>1,168,376</u>	<u>450,093</u>	<u>1,618,469</u>	<u>296,634</u>	<u>438,402</u>	<u>735,036</u>

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2020

17. SUPPLEMENTARY INFORMATION (continued)

b) INTERIM CONDENSED STATEMENT OF INCOME

	<i>Three month period ended 31 March (Unaudited)</i>					
	<i>Insurance operations SR'000</i>	<i>Shareholders' operations SR'000</i>	<i>2020 SR'000</i>	<i>Insurance operations SR'000</i>	<i>Shareholders' operations SR'000</i>	<i>2019 SR'000 (Restated)</i>
REVENUE						
Gross written contributions	43,555	-	43,555	17,377	-	17,377
Contributions ceded:						
Local	-	-	-	-	-	-
Foreign	(3,396)	-	(3,396)	(1,050)	-	(1,050)
Net written contributions	40,159	-	40,159	16,327	-	16,327
Change in unearned contributions, net	7,088	-	7,088	5,889	-	5,889
Net contributions earned	47,247	-	47,247	22,216	-	22,216
Other underwriting income	7,798	-	7,798	172	-	172
TOTAL REVENUES	55,045	-	55,045	22,388	-	22,388
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(3,569)	-	(3,569)	(2,158)	-	(2,158)
Reinsurers' share of claims paid	3,009	-	3,009	1,686	-	1,686
Net claims paid	(560)	-	(560)	(472)	-	(472)
Changes in outstanding claims, net	(198)	-	(198)	(936)	-	(936)
Changes in IBNR, net	(384)	-	(384)	776	-	776
Net claims incurred	(1,142)	-	(1,142)	(632)	-	(632)
Investible contributions, net	(34,450)	-	(34,450)	(13,091)	-	(13,091)
Changes in mathematical reserve	2,540	-	2,540	35	-	35
Changes in other reserves	(800)	-	(800)	-	-	-
Policy acquisition costs	(2,545)	-	(2,545)	(1,016)	-	(1,016)
Supervision and inspection fees	(218)	-	(218)	(87)	-	(87)
TOTAL UNDERWRITING COSTS AND EXPENSES	(36,615)	-	(36,615)	(14,791)	-	(14,791)
NET UNDERWRITING INCOME	18,430	-	18,430	7,597	-	7,597
OTHER OPERATING (EXPENSES)/ INCOME						
Impairment of receivables	(124)	-	(124)	(117)	-	(117)
General and administrative expenses	(8,569)	(938)	(9,507)	(1,950)	(563)	(2,513)
Commission from held to maturity investments	114	2,849	2,963	113	2,302	2,415
Commission income on deposits	6	-	6	11	1	12
Unrealised gain on FVIS investments	147	227	374	262	279	541
Realised gain on FVIS investments	-	-	-	20	-	20
Other income	2,519	1	2,520	77	20	97
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(5,907)	2,139	(3,768)	(1,584)	2,039	455

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2020

17. SUPPLEMENTARY INFORMATION (continued)

b) INTERIM CONDENSED STATEMENT OF INCOME (continued)

	<i>Three month period ended 31 March (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2020</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2019</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
						<i>(Restated)</i>
NET SURPLUS FROM OPERATIONS	12,523	2,139	14,662	6,013	2,039	8,052
Surplus transferred to shareholders'	<u>(11,271)</u>	<u>11,271</u>	<u>-</u>	<u>(5,411)</u>	<u>5,411</u>	<u>-</u>
NET INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX	1,252	13,410	14,662	602	7,450	8,052
Zakat	-	(379)	(379)	-	(214)	(214)
Income tax	<u>-</u>	<u>(45)</u>	<u>(45)</u>	<u>-</u>	<u>(36)</u>	<u>(36)</u>
NET INCOME FOR THE PERIOD	<u>1,252</u>	<u>12,986</u>	<u>14,238</u>	<u>602</u>	<u>7,200</u>	<u>7,802</u>
Weighted average number of ordinary shares outstanding (in thousands)	<u>-</u>	<u>35,000</u>	<u>35,000</u>	<u>-</u>	<u>35,000</u>	<u>35,000</u>
Basic and diluted earnings per share for the period (SR)	<u>-</u>	<u>0.371</u>	<u>-</u>	<u>-</u>	<u>0.206</u>	<u>-</u>

c) INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	<i>Three month period ended 31 March (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2020</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2019</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
						<i>(Restated)</i>
NET INCOME FOR THE PERIOD	1,252	12,986	14,238	602	7,200	7,802
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>1,252</u>	<u>12,986</u>	<u>14,238</u>	<u>602</u>	<u>7,200</u>	<u>7,802</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 statement of income (refer note 17 (b) and (d)).

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2020

17. SUPPLEMENTARY INFORMATION (continued)

d) INTERIM CONDENSED STATEMENT OF CASH FLOWS

	<i>Three month period ended 31 March (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2020</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2019</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
OPERATING ACTIVITIES						
Net income for the period before Zakat and income tax	1,252	13,410	14,662	602	7,450	8,052
Adjustments for the period:						
Reinsurers' share of unearned contributions	4,034	-	4,034	3,334	-	3,334
Unearned contributions	(11,122)	-	(11,122)	(9,223)	-	(9,223)
Impairment of receivables	124	-	124	117	-	117
Commission from held to maturity investments	(114)	(2,849)	(2,963)	(113)	(2,302)	(2,415)
Unrealised gain on FVIS investments	(147)	(227)	(374)	(262)	(279)	(541)
Realised gain on FVIS investments	-	-	-	(20)	-	(20)
Depreciation	62	-	62	21	-	21
Employee benefits	165	-	165	166	-	166
	<u>(5,746)</u>	<u>10,334</u>	<u>4,588</u>	<u>(5,378)</u>	<u>4,869</u>	<u>(509)</u>
Changes in operating assets and liabilities:						
Contributions receivable, net	(1,166)	-	(1,166)	(169)	-	(169)
Reinsurers' share of outstanding claims	(1,022)	-	(1,022)	(7,638)	-	(7,638)
Reinsurers' share of claims incurred but not reported	(2,649)	-	(2,649)	340	-	340
Available for sale investments held to cover unit-linked liabilities	176,297	-	176,297	(21,111)	-	(21,111)
Due from related parties	(4,732)	(1,999)	(6,731)	(5,176)	-	(5,176)
Prepayments and other receivables	388	17	405	72	(195)	(123)
Accrued expenses and other liabilities	(4,295)	(1,719)	(6,014)	(496)	(1,755)	(2,251)
Reinsurers' balances payable	1,422	-	1,422	(878)	-	(878)
Outstanding claims	1,220	-	1,220	8,574	-	8,574
Claims incurred but not reported	3,033	-	3,033	(1,116)	-	(1,116)
Unit reserves	(174,101)	-	(174,101)	20,319	-	20,319
Mathematical reserve	(2,540)	-	(2,540)	(35)	-	(35)
Other reserves	800	-	800	-	-	-
Due to shareholders' operations	11,114	-	11,114	5,581	-	5,581
Due from Insurance Operations	-	(11,114)	(11,114)	-	(5,581)	(5,581)
Cash used in operations	<u>(1,977)</u>	<u>(4,481)</u>	<u>(6,458)</u>	<u>(7,111)</u>	<u>(2,662)</u>	<u>(9,773)</u>
Zakat and income tax paid	-	-	-	-	-	-
Employee benefits paid	(12)	-	(12)	(6)	-	(6)
Net cash used in operating activities	<u>(1,989)</u>	<u>(4,481)</u>	<u>(6,470)</u>	<u>(7,117)</u>	<u>(2,662)</u>	<u>(9,779)</u>
INVESTING ACTIVITIES						
Purchase of FVIS investments	-	(9,032)	(9,032)	5,000	-	5,000
Disposal of held to maturity investments	-	8,000	8,000	-	-	-
Commission received from held to maturity investments	-	3,223	3,223	-	-	-
Purchase of fixtures, furniture and equipment	(272)	-	(272)	(230)	-	(230)
Net cash (used in)/ from investing activities	<u>(272)</u>	<u>2,191</u>	<u>1,919</u>	<u>4,770</u>	<u>-</u>	<u>4,770</u>
Net decrease in cash at banks	<u>(2,261)</u>	<u>(2,290)</u>	<u>(4,551)</u>	<u>(2,347)</u>	<u>(2,662)</u>	<u>(5,009)</u>
Cash at banks at the beginning of the period	15,454	4,233	19,687	13,208	3,854	17,062
Cash at banks at the end of the period	<u>13,193</u>	<u>1,943</u>	<u>15,136</u>	<u>10,861</u>	<u>1,192</u>	<u>12,053</u>

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 March 2020

18. COMPARATIVE FIGURES AND RESTATEMENTS

On 17 July 2019, SAMA instructed the insurance companies in the Kingdom of Saudi Arabia to account for the Zakat and income taxes in the interim condensed statement of income. This aligns with the IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

Accordingly, the Company revised its accounting policies to account for Zakat and income tax in the interim condensed statement of income by retrospectively adjusting the impact in line with International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The impacts of this change on the condensed interim financial statements for the three month ended 31 March 2019 are as follows:

Account	Financial statement impacted	Before the restatement for the three month period ended 31 March 2019	Effect of restatement	As restated as at and for the three month period ended 31 March 2019
Zakat and income tax	Statement of income	-	(250)	(250)
Net income for the period	Statement of income	7,450	(250)	7,200
Earnings per share for the period (expressed in SR per share)	Statement of income	0.213	(0.007)	0.206
Zakat and income tax (retained earnings)	Statement of changes in equity	(250)	250	-
Total comprehensive income for the period	Statement of comprehensive income and Statement of changes in equity	7,450	(250)	7,200

19. IMPACT OF COVID 19

The World Health Organization on 11 March 2020 declared COVID-19 a pandemic, with far reaching consequences on economic and business activities around the world. As a result of the curfews and travel restrictions enforced by the Government of Saudi Arabia to combat the spread of the novel coronavirus, the Company activated its business continuity plans to maintain acceptable service levels and operational activities while ensuring the safety and wellbeing of its employees. While the Company is unable at this time to reasonably assess the financial impact of COVID-19 given the rapidly evolving situation and the many uncertainties surrounding the duration and severity of the pandemic. The liquidity and solvency positions of the Company remain strong as at the date of issuing these interim condensed financial statements.

20. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors on 23 Shawwal 1441H, corresponding to 15 June 2020.