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

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

**FOR THE THREE MONTH AND NINE MONTH
PERIODS ENDED 30 SEPTEMBER 2020**

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the three month and nine month periods ended 30 September 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 – 36



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
 CPAs & 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 30 September 2020, and the related interim condensed statements of income and comprehensive income for the three month and nine month periods then ended and the interim condensed statements of changes in equity and cash flows for the nine month period then ended and the notes which form an integral part of these 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 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



22 Rabi Al Awal 1442H
 Corresponding to 8 November 2020



ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 September 2020

		30 September 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
ASSETS	<i>Notes</i>		
Cash at banks	4	35,664	19,687
Contributions receivable, net	5	178	2,094
Reinsurers' share of unearned contributions	10	1,531	12,923
Reinsurers' share of outstanding claims	11	41,500	29,422
Reinsurers' share of claims incurred but not reported	11	4,996	5,669
Available for sale investments held to cover unit-linked liabilities	6	1,236,968	185,178
Investments	7	476,497	411,414
Due from related parties	12 (b)	5,743	30,367
Prepayments and other assets		3,177	2,473
Fixtures, furniture and equipment		1,443	809
Reinsurance balances receivable		5,306	-
Statutory deposit		35,000	35,000
TOTAL ASSETS		1,848,003	735,036
LIABILITIES			
Accrued expenses and other liabilities		34,796	18,651
Reinsurance balances payable		3,369	10,775
Unearned contributions	10	3,034	35,087
Outstanding claims	11	45,934	33,525
Claims incurred but not reported	11	6,099	7,023
Unit reserves	8	1,242,061	187,979
Mathematical reserve	9.1	8,851	360
Other reserves	9.2	12,242	-
Employee benefits		2,991	2,624
Zakat and income tax	13	1,136	1,110
Surplus from Insurance Operations		18,578	3,355
TOTAL LIABILITIES		1,379,091	300,489
EQUITY			
Share capital		350,000	350,000
Statutory reserve		30,595	30,595
Retained earnings		88,366	54,001
TOTAL SHAREHOLDERS' EQUITY		468,961	434,596
Remeasurement reserve of employee benefits - related to Insurance Operations		(49)	(49)
TOTAL EQUITY		468,912	434,547
TOTAL LIABILITIES AND EQUITY		1,848,003	735,036

Chairman

Chief Financial Officer

Managing Director

The accompanying notes 1 to 19 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 and nine month periods ended 30 September 2020

	<i>Three month period ended 30 September</i>		<i>Nine month period ended 30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
REVENUE				
Gross written contributions	60,704	30,423	146,808	69,410
Contributions ceded:				
Local	-	-	-	-
Foreign	(2,989)	(3,821)	(10,427)	(5,275)
Net written contributions	57,715	26,602	136,381	64,135
Changes in unearned contributions, net	7,393	225	20,661	9,823
Net contribution earned	65,108	26,827	157,042	73,958
Other underwriting income	377	166	19,131	470
TOTAL REVENUES	65,485	26,993	176,173	74,428
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	(11,086)	(1,548)	(18,495)	(4,850)
Reinsurers' share of claims paid	9,876	1,312	16,263	3,699
Net claims paid	(1,210)	(236)	(2,232)	(1,151)
Changes in outstanding claims, net	(67)	(248)	(331)	(1,677)
Changes in claims incurred but not reported, net	1,147	(13)	251	1,026
Net claims incurred	(130)	(497)	(2,312)	(1,802)
Investible contributions, net	(49,077)	(15,418)	(115,296)	(41,418)
Changes in mathematical reserve	(86)	13	2,489	51
Changes in other reserves	35	-	(584)	-
Policy acquisition costs	(2,547)	(981)	(7,041)	(2,908)
Supervision and inspection fees	(303)	(152)	(734)	(347)
TOTAL UNDERWRITING COSTS AND EXPENSES	(52,108)	(17,035)	(123,478)	(46,424)
NET UNDERWRITING INCOME	13,377	9,958	52,695	28,004

Chairman

Managing Director

Chief Financial Officer

The accompanying notes 1 to 19 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 and nine month periods ended 30 September 2020

	Notes	Three month period ended 30 September		Nine month period ended 30 September	
		2020 SR'000	2019 SR'000	2020 SR'000	2019 SR'000
NET UNDERWRITING INCOME		13,377	9,958	52,695	28,004
OTHER OPERATING INCOME/(EXPENSES)					
Reversal of / (Increase in) provision for impairment of receivables		664	(373)	53	(622)
General and administrative expenses		(11,047)	(2,573)	(31,978)	(7,321)
Commission from held to maturity investments		2,979	2,498	8,945	7,359
Commission income on deposits		26	13	37	30
Unrealized gain on FVIS investments	7.2	651	416	875	1,388
Realized (loss) / gain on FVIS investments		(1)	-	1,543	20
Dividends from FVIS investments		-	-	220	-
Other income		2,094	57	6,569	184
TOTAL OTHER OPERATING (EXPENSE)/INCOME, NET		(4,634)	38	(13,736)	1,038
Income before surplus, Zakat and income tax		8,743	9,996	38,959	29,042
Net income attributed to the Insurance Operations		(851)	(839)	(3,515)	(2,353)
Income for the period attributable to the Shareholders' before Zakat and income tax		7,892	9,157	35,444	26,689
Zakat	13	(206)	(291)	(978)	(735)
Income tax	13	(20)	34	(101)	(35)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS'		7,666	8,900	34,365	25,919
Weighted average number of ordinary shares outstanding (in thousands)		35,000	35,000	35,000	35,000
Earnings per share for the period (SR) (Basic and diluted)	14	0.219	0.254	0.982	0.741

Chairman

Chief Financial Officer

Managing Director

The accompanying notes 1 to 19 form an integral part of these interim condensed financial statements.

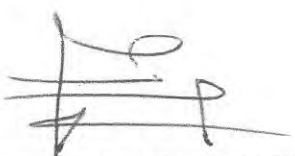
ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)

For the three month and nine month periods ended 30 September 2020

	<i>Three month period ended 30 September</i>		<i>Nine month period ended 30 September</i>	
	<i>2020 SR'000</i>	<i>2019 SR'000</i>	<i>2020 SR'000</i>	<i>2019 SR'000</i>
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS'	7,666	8,900	34,365	25,919
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	7,666	8,900	34,365	25,919


 Chairman


 Chief Financial Officer


 Managing Director

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
For the nine month period ended 30 September 2020

	<i>Shareholders' equity</i>				<i>Re-measurement reserve of employee benefits – related to Insurance operations</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>	<i>SR'000</i>	<i>Total equity SR'000</i>
Balance at 1 January 2020	350,000	30,595	54,001	434,596	(49)	434,547
Net income for the period	-	-	34,365	34,365	-	34,365
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	34,365	34,365	-	34,365
Balance as at 30 September 2020	350,000	30,595	88,366	468,961	(49)	468,912
Balance at 1 January 2019	350,000	23,253	24,635	397,888	82	397,970
Net income for the period	-	-	25,919	25,919	-	25,919
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	25,919	25,919	-	25,919
Balance as at 30 September 2019	350,000	23,253	50,554	423,807	82	423,889

Chairman

Chief Financial Officer

Managing Director

The accompanying notes 1 to 19 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
For the nine month period ended 30 September 2020

	30 September 2020 SR'000	30 September 2019 SR'000
OPERATING ACTIVITIES		
Net income for the period attributable to the shareholders' before Zakat and income tax	35,444	26,689
Adjustments for non-cash items:		
Net income attributed to the Insurance Operations	3,515	2,353
Reinsurers' share of unearned contributions	11,392	6,281
Unearned contributions	(32,053)	(16,104)
(Reversal of) / Increase in provision for impairment of receivables	(53)	622
Commission from held to maturity investments	(8,945)	(7,359)
Unrealized gain on FVIS investments	(875)	(1,388)
Realized gain on FVIS investments	(1,543)	(20)
Dividends from FVIS investments	(220)	-
Depreciation	197	93
Employee benefits	665	496
	7,524	11,663
<u>Changes in operating assets and liabilities:</u>		
Contributions receivable, net	1,969	(5,293)
Reinsurers' share of outstanding claims	(7,137)	(16,578)
Reinsurers' share of claims incurred but not reported	673	1,006
Available for sale investments held to cover unit-linked liabilities, net	(54,863)	(36,894)
Due from related parties	78,176	(18,191)
Prepayments and other assets	(704)	(619)
Accrued expenses and other liabilities	13,699	2,472
Reinsurers' balances payable	(12,712)	1,280
Outstanding claims	7,468	18,255
Claims incurred but not reported	(924)	(2,032)
Unit reserve	57,155	37,290
Mathematical reserve	(2,489)	(51)
Other reserves	584	-
Cash from/(used in) operations	88,419	(7,692)
Zakat and income tax paid	(1,053)	(975)
Employee benefits paid	(298)	(39)
Surplus distributed to policy holders	(16,760)	-
Net cash from/(used in) operating activities	70,308	(8,706)
INVESTING ACTIVITIES		
Proceeds from disposal of HTM investments	8,000	-
Proceeds from disposal of FVIS investments	14,214	14,000
Purchase of FVIS investments	(82,820)	(3,500)
Commission received from HTM investments	6,886	1,417
Dividends from FVIS investments	220	-
Purchase of fixtures, furniture and equipment	(831)	(416)
Net cash (used in) / from investing activities	(54,331)	11,501
Net increase in cash at banks	15,977	2,795
Cash at banks at the beginning of the period	19,687	17,062
Cash at banks at the end of the period	35,664	19,857

Chairman

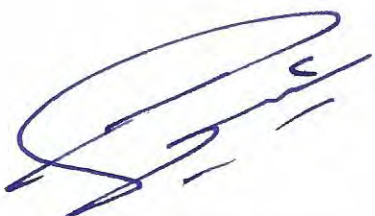
Chief Financial Officer

Managing Director

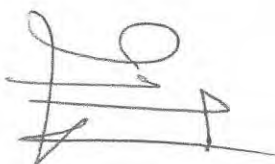
The accompanying notes 1 to 19 form an integral part of these interim condensed financial statements.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CASH FLOWS (continued)
For the nine month period ended 30 September 2020

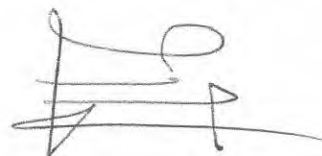
	<i>30 September 2020 SR'000</i>	<i>30 September 2019 SR'000</i>
<u>Supplemental non-cash information</u>		
Reinsurers' share of outstanding claims	(4,941)	-
Available for sale investments held to cover unit-linked liabilities	(996,927)	-
Due from related parties	(53,552)	-
Accrued expenses and other liabilities	2,446	-
Outstanding claims	4,941	-
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 19 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
For the three month and nine month periods ended 30 September 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:

<u>Branch</u>	<u>CR Number</u>	<u>Date</u>
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 98.14% by Saudi founding shareholders' and general public subject to Zakat and 1.86% 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 1441H (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:

	<u>Carrying value of assets and liabilities</u> <u>SR'000</u>
Assets	
Available for sale investments held to cover unit-linked liabilities	996,927
Due from Bank AlJazira ("the founding shareholder")	53,552
Reinsurers' share of outstanding claims	4,941
Total assets	1,055,420
Liabilities	
Outstanding claims	4,941
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	1,055,420

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)

For the three month and nine month periods ended 30 September 2020

1. GENERAL (continued)

Further to the Company's announcement that it signed a non-binding Memorandum of Understanding (the "MOU") with Solidarity Saudi Takaful Company ("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 would 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") pursuant to the applicable laws and regulations. The proposed merger remains conditional to the approval of SAMA, other regulatory authorities and shareholders in forthcoming Extraordinary General Meetings. The Company's announcement on Tadawul does not mean that the proposed merger will be ultimately agreed and an offer will be made by the Company to the shareholders of Solidarity.

2. BASIS OF PREPARATION

a) *Basis of presentation*

The interim condensed financial statements of the Company as at and for the period ended 30 September 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, mathematical reserve and other 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.

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 the management in applying the Company's accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied to the annual financial statements as at and for the year ended 31 December 2019. However, the Company has reviewed the key sources of estimation uncertainties disclosed in the last annual financial statements and updated them where required. The changes in circumstances may require further enhanced disclosures in the financial statements of the Company for subsequent periods (please also refer note 18).

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)
For the three month and nine month periods ended 30 September 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.

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. The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4, is currently 01 January 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.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
For the three month and nine month periods ended 30 September 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:

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the three month and nine month periods ended 30 September 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 9 - Financial Instruments (continued)

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").

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 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.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the three month and nine month periods ended 30 September 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 9 - Financial Instruments (continued)

Effective date (continued)

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.

Impact assessment

The impact 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 BANKS

	<i>Insurance operations SR '000</i>	<i>Shareholders' operations SR '000</i>	<i>Total SR '000</i>
30 September 2020 (Unaudited)			
Cash at banks	<u>35,109</u>	<u>555</u>	<u>35,664</u>
31 December 2019 (Audited)			
Cash at banks	<u>15,454</u>	<u>4,233</u>	<u>19,687</u>

Cash at banks, 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>30 September 2020 (Unaudited) SR '000</i>	<i>31 December 2019 (Audited) SR '000</i>
<i>Insurance Operations</i>		
Gross contributions receivable	363	2,332
Provision for impairment of receivables	(185)	(238)
Contributions receivable, net	<u>178</u>	<u>2,094</u>

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the three month and nine month periods ended 30 September 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>30 September 2020 (Unaudited) SR'000</i>
Insurance Operations			
AlJazira Saudi Riyal Murabaha Fund	152,357	1,886	154,243
AlJazira Diversified Aggressive Fund	157,640	9,156	166,796
AlJazira Diversified Balanced Fund	44,653	2,058	46,711
AlJazira Diversified Conservative Fund	9,754	197	9,951
AlJazira International Equities Fund	190,056	10,024	200,080
AlJazira Saudi Equities Fund	262,519	14,018	276,537
AlJazira European Equities Fund	164,165	(720)	163,445
AlJazira Japanese Equities Fund	205,319	13,886	219,205
	<u>1,186,463</u>	<u>50,505</u>	<u>1,236,968</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>30 September 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)	16,256	361,220	377,476	15,914	367,503	383,417
FVIS investments (7.2)	83,443	15,578	99,021	27,997	-	27,997
Total	<u>99,699</u>	<u>376,798</u>	<u>476,497</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 181,289 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 196,187 thousand (31 December 2019: SR 198,264 thousand) with a maturity of 12 to 30 years. The commission rate on Murabaha deposits at 30 September 2020 is 3.00% to 3.30% per annum (31 December 2019: 3.00% to 3.20% per annum) and coupon rate on Sukuk is 4.01% to 4.64% 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)

For the three month and nine month periods ended 30 September 2020

7. INVESTMENTS (continued)

7.1 Held to maturity investments (continued)

The movement in the held to maturity investments for the period/year ended 30 September 2020 and 31 December 2019 is as follows:

	30 September 2020 (Unaudited)		
	Insurance operations SR'000	Shareholders' operations SR'000	Total SR'000
Balance at the beginning of the period	15,914	367,503	383,417
Disposals during the period	-	(8,000)	(8,000)
Commission booked on held to maturity investments	342	8,603	8,945
Commission received from held to maturity investments	-	(6,886)	(6,886)
Balance at the end of the period	<u>16,256</u>	<u>361,220</u>	<u>377,476</u>

	31 December 2019 (Audited)		
	Insurance operations SAR'000	Shareholders' operations SAR'000	Total SAR'000
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 booked on 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	<u>15,914</u>	<u>367,503</u>	<u>383,417</u>

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 95,958 thousand (31 December 2019: SR 27,997 thousand), and investment in shares of companies listed on Tadawul, amounting to SR 3,063 thousand (31 December 2019: nil).

Movement in FVIS investments for the period/year ended 30 September 2020 and 31 December 2019 is as follows:

	30 September 2020 (Unaudited)		
	Insurance operations SR'000	Shareholders' Operations SR'000	Total SR'000
Balance at beginning of the period	27,997	-	27,997
Purchases during the period	55,000	27,820	82,820
Disposals during the period	-	(12,671)	(12,671)
Changes in fair value	446	429	875
Balance at the end of the period	<u>83,443</u>	<u>15,578</u>	<u>99,021</u>

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the three month and nine month periods ended 30 September 2020

7. INVESTMENTS (continued)

7.2 FVIS investments (continued)

	<i>31 December 2019 (Audited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>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
Balance at the end of the year	<u>27,997</u>	<u>-</u>	<u>27,997</u>

8. UNIT RESERVES

	<i>Nine month period ended 30 September 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	115,296	57,466
Insurance portfolio transfer (note 1)	996,927	-
Surrenders	(85,133)	(21,740)
Maturities	(23,513)	-
Change in fair value of available for sale investments (note 6)	50,505	21,963
Balance at the end of the period/year	<u>1,242,061</u>	<u>187,979</u>

9. OTHER RESERVES

	<i>Nine month period ended 30 September 2020 (Unaudited) SR'000</i>	<i>Year ended 31 December 2019 (Audited) SR'000</i>
Mathematical reserve (note 9.1)	8,851	360
Other reserves (note 9.2)	12,242	-
	<u>21,093</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)

For the three month and nine month periods ended 30 September 2020

9. OTHER RESERVES (continued)

9.1 Mathematical reserve

	<i>Nine month period ended 30 September 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	(2,489)	(197)
Balance at the end of the period/year	<u>8,851</u>	<u>360</u>

9.2 Other reserves

	<i>Nine month period ended 30 September 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	584	-
Balance at the end of the period/year	<u>12,242</u>	<u>-</u>

10. MOVEMENT IN UNEARNED CONTRIBUTIONS

	<i>Nine month period ended 30 September 2020 (Unaudited)</i>			<i>Year ended 31 December 2019 (Audited)</i>		
	<i>Gross SR'000</i>	<i>Reinsurers' share SR'000</i>	<i>Net SR'000</i>	<i>Gross SR'000</i>	<i>Reinsurers' share SR'000</i>	<i>Net SR'000</i>
Balance at beginning of the period/year	35,087	(12,923)	22,164	22,774	(9,006)	13,768
Contributions written/(ceded) during the period/year	146,808	(10,427)	136,381	130,283	(20,815)	109,468
	<u>181,895</u>	<u>(23,350)</u>	<u>158,545</u>	<u>153,057</u>	<u>(29,821)</u>	<u>123,236</u>
Investible contributions and contributions earned during the period/year	(178,861)	21,819	(157,042)	(117,970)	16,898	(101,072)
Balance at the end of the period/year	<u>3,034</u>	<u>(1,531)</u>	<u>1,503</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)

For the three month and nine month periods ended 30 September 2020

11. OUTSTANDING CLAIMS, INCLUDING IBNR

	<i>Nine month period ended 30 September 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	29,980	(27,668)	2,312	31,381	(29,004)	2,377
(Paid)/recovered during the period/year	<u>(18,495)</u>	<u>16,263</u>	<u>(2,232)</u>	<u>(11,845)</u>	<u>9,920</u>	<u>(1,925)</u>
At end of the period/year	<u>52,033</u>	<u>(46,496)</u>	<u>5,537</u>	<u>40,548</u>	<u>(35,091)</u>	<u>5,457</u>
At end of the period/year						
Reported claims	45,934	(41,500)	4,434	33,525	(29,422)	4,103
IBNR	6,099	(4,996)	1,103	7,023	(5,669)	1,354
	<u>52,033</u>	<u>(46,496)</u>	<u>5,537</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 nine month period ended:

<i><u>Related parties</u></i>	<i><u>Nature of transaction</u></i>	<i><u>Amount of transactions</u></i>	
		<i><u>30 September 2020 (Unaudited) SR'000</u></i>	<i><u>30 September 2019 (Unaudited) SR'000</u></i>
<i>Bank AlJazira</i>	Commission earned from held to maturity Investment	4,136	7,359
	Commission income on deposits	37	30
	Gross written contributions	5,588	15,611
	Claims paid	16,300	4,770
	Insurance portfolio transfer (note 1)	53,552	-
	Investment in equity shares	1,692	-
	Disposal of equity share	567	-
<i>AlJazira Capital</i>	Profit earned on mutual funds	461	1,367
<i>Aman Insurance Agency Company</i>	Commission	5,735	1,466
<i>Board of Directors and Committee Members</i>	Gross written contributions	42	41
<i>Key management personnel</i>	Salaries, benefits and allowances, net	5,512	829
	Gross written contributions	52	38

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the three month and nine month periods ended 30 September 2020

12. TRANSACTIONS WITH RELATED PARTIES (continued)

b) Amount due from related parties

	30 September 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Bank AlJazira	913	28,176
AlJazira Capital	4,830	2,191
	5,743	30,367

- c) Contributions receivable shown in interim condensed statement of financial position includes SR 16 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 nine month period ended 30 September 2020 and year ended 31 December 2019 is as follows:

a) Zakat

	30 September 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Balance at the beginning of period/year	982	907
Zakat for the period/year	978	947
Zakat paid during the period/year	(954)	(872)
Balance at the end of the period/year	1,006	982

b) Income tax

Balance at the beginning of period/year	128	132
Income tax for the period/year	101	100
Income tax paid during the period/year	(99)	(104)
Balance at the end of the period/year	130	128
Total Zakat and income tax	1,136	1,110

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the three month and nine month periods ended 30 September 2020

13. ZAKAT AND INCOME TAX (continued)

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. The Preliminary Appeal Committee ("PAC") issued their decision upholding GAZT's treatment. The Company has filed an appeal against the PAC decision with the Higher Appeal Committee ("HAC"). The management is confident of a favourable outcome from the HAC.

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.

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 30 September 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:

			30 September 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	1,236,968	-	-	1,236,968	1,236,968
Held to maturity investments	377,476	196,187	181,289	203,556	384,845
FVIS investments	99,021	-	3,063	95,958	99,021
Total	<u>1,713,465</u>	<u>196,187</u>	<u>184,352</u>	<u>1,536,482</u>	<u>1,720,834</u>

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the three month and nine month periods ended 30 September 2020

15. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

	Carrying value	Amortised cost	31 December 2019 (SR'000)		
			<u>Fair value (Audited)</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
Held to maturity investments	383,417	198,264	185,153	197,948	383,101
FVIS investments	27,997	-	-	27,997	27,997
Total	<u>596,592</u>	<u>198,264</u>	<u>185,153</u>	<u>411,123</u>	<u>596,276</u>

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 SEGMENTS 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
For the three month and nine month periods ended 30 September 2020

16. OPERATING SEGMENTS INFORMATION (continued)

	<i>As at 30 September 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	-	178	178
Reinsurers' share of unearned contributions	-	1,531	1,531
Reinsurers' share of outstanding claims	5,285	36,215	41,500
Reinsurers' share of claims incurred but not reported	-	4,996	4,996
Available for sale investments held to cover unit-linked liabilities	1,236,968	-	1,236,968
Reinsurance balances receivable	-	5,306	5,306
	<u>1,242,253</u>	<u>48,226</u>	<u>1,290,479</u>
Unallocated assets:			
Cash at banks			35,664
Investments			476,497
Due from related parties			5,743
Prepayments and other assets			3,177
Fixtures, furniture and equipment			1,443
Statutory deposit			35,000
TOTAL ASSETS			<u><u>1,848,003</u></u>
LIABILITIES			
Reinsurance balances payable	1,593	1,776	3,369
Unearned contributions	-	3,034	3,034
Outstanding claims	5,488	40,446	45,934
Claims incurred but not reported	-	6,099	6,099
Unit reserves	1,242,061	-	1,242,061
Mathematical reserve	8,851	-	8,851
Other reserves	12,242	-	12,242
	<u>1,270,235</u>	<u>51,355</u>	<u>1,321,590</u>
Unallocated liabilities and surplus:			
Accrued expenses and other liabilities			34,796
Employee benefits			2,991
Zakat and income tax			1,136
Surplus from Insurance Operations			18,578
TOTAL LIABILITIES			<u><u>1,379,091</u></u>
EQUITY			
Share capital			350,000
Statutory reserve			30,595
Retained earnings			88,366
TOTAL SHAREHOLDERS' EQUITY			<u>468,961</u>
Remeasurement reserve of employee benefits - related to Insurance Operations			(49)
TOTAL EQUITY			<u>468,912</u>
TOTAL LIABILITIES AND EQUITY			<u><u>1,848,003</u></u>

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the three month and nine month periods ended 30 September 2020

16. OPERATING SEGMENTS 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-linked 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><u>735,036</u></u>
LIABILITIES			
Reinsurance 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 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><u>300,489</u></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><u>434,547</u></u>
TOTAL LIABILITIES AND EQUITY			<u><u>735,036</u></u>

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the three month and nine month periods ended 30 September 2020

16. OPERATING SEGMENTS INFORMATION (continued)

	<i>For the three month period ended 30 September 2020 (Unaudited)</i>		
	<i>Individual</i>	<i>Group</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
REVENUE			
Gross written contributions:			
Individual	59,456	-	59,456
Small Enterprises	-	34	34
Medium Enterprises	-	57	57
Corporate	-	1,157	1,157
Total gross written contributions	59,456	1,248	60,704
Contributions ceded:			
Local	-	-	-
Foreign	(2,725)	(264)	(2,989)
Net written contributions	56,731	984	57,715
Changes in unearned contributions, net	-	7,393	7,393
Net contributions earned	56,731	8,377	65,108
Other underwriting income	377	-	377
TOTAL REVENUES	57,108	8,377	65,485
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(1,312)	(9,774)	(11,086)
Reinsurers' share of claims paid	1,062	8,814	9,876
Net claims paid	(250)	(960)	(1,210)
Changes in outstanding claims, net	(44)	(23)	(67)
Changes in claims incurred but not reported, net	-	1,147	1,147
Net claims incurred	(294)	164	(130)
Investible contributions, net	(49,077)	-	(49,077)
Changes in mathematical reserve	(86)	-	(86)
Changes in other reserves	35	-	35
Policy acquisition costs	(2,517)	(30)	(2,547)
Supervision and inspection fees	(297)	(6)	(303)
TOTAL UNDERWRITING COSTS AND EXPENSES	(52,236)	128	(52,108)
NET UNDERWRITING INCOME	4,872	8,505	13,377
<u>OTHER OPERATING (EXPENSES)/INCOME</u>			
Reversal of provision for impairment of receivables			664
General and administrative expenses			(11,047)
Commission from held to maturity Investments			2,979
Commission income on deposits			26
Unrealized gain on FVIS investments			651
Realized loss on FVIS investments			(1)
Dividends from FVIS investments			-
Other income			2,094
TOTAL OTHER OPERATING EXPENSES, NET			(4,634)
Income before surplus, Zakat and income tax			8,743
Net income attributed to the Insurance Operations			(851)
Income for the period attributable to the shareholders' before Zakat and income tax			7,892
Zakat			(206)
Income tax			(20)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS'			7,666

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the three month and nine month periods ended 30 September 2020

16. OPERATING SEGMENTS INFORMATION (continued)

	<i>For the three month period ended 30 September 2019 (Unaudited)</i>		
	<i>Individual</i>	<i>Group</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
REVENUE			
Gross written contributions:			
Individual	19,643	-	19,643
Small Enterprises	-	136	136
Medium Enterprises	-	154	154
Corporate	-	10,490	10,490
Total gross written contributions	19,643	10,780	30,423
Contributions ceded:			
Local	-	-	-
Foreign	(238)	(3,583)	(3,821)
Net written contributions	19,405	7,197	26,602
Changes in unearned contributions, net	-	225	225
Net contribution earned	19,405	7,422	26,827
Other underwriting income	166	-	166
TOTAL REVENUES	19,571	7,422	26,993
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	-	(1,548)	(1,548)
Reinsurers' share of claims paid	-	1,312	1,312
Net claims paid	-	(236)	(236)
Changes in outstanding claims, net	(18)	(230)	(248)
Changes in claims incurred but not reported, net	-	(13)	(13)
Net claims incurred	(18)	(479)	(497)
Investible contributions, net	(15,418)	-	(15,418)
Change in mathematical reserve	13	-	13
Policy acquisition costs	(975)	(6)	(981)
Supervision and inspection fees	(98)	(54)	(152)
TOTAL UNDERWRITING COSTS AND EXPENSES	(16,496)	(539)	(17,035)
NET UNDERWRITING INCOME	3,075	6,883	9,958
OTHER OPERATING INCOME/(EXPENSES)			
Increase in provision for impairment of receivables			(373)
General and administrative expenses			(2,573)
Commission from held to maturity Investments			2,498
Commission income on deposits			13
Unrealized gain on FVIS investments			416
Other income			57
TOTAL OTHER OPERATING INCOME, NET			38
Income before surplus, Zakat and income tax			9,996
Net income attributed to the insurance operations			(839)
Income for the period attributable to the shareholders' before Zakat and income tax			9,157
Zakat			(291)
Income Tax			34
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS'			8,900

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the three month and nine month periods ended 30 September 2020

16. OPERATING SEGMENTS INFORMATION (continued)

	<i>For the nine month period ended 30 September 2020 (Unaudited)</i>		
	<i>Individual</i>	<i>Group</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
REVENUE			
Gross written contributions:			
Individual	140,910	-	140,910
Small Enterprises	-	34	34
Medium Enterprises	-	60	60
Corporate	-	5,804	5,804
Total gross written contributions	140,910	5,898	146,808
Contributions ceded:			
Local	-	-	-
Foreign	(8,157)	(2,270)	(10,427)
Net written contributions	132,753	3,628	136,381
Changes in unearned contributions, net	-	20,661	20,661
Net contributions earned	132,753	24,289	157,042
Other underwriting income	19,131	-	19,131
TOTAL REVENUES	151,884	24,289	176,173
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(2,172)	(16,323)	(18,495)
Reinsurers' share of claims paid	1,880	14,383	16,263
Net claims paid	(292)	(1,940)	(2,232)
Changes in outstanding claims, net	(23)	(308)	(331)
Changes in claims incurred but not reported, net	-	251	251
Net claims incurred	(315)	(1,997)	(2,312)
Investible contributions, net	(115,296)	-	(115,296)
Changes in mathematical reserve	2,489	-	2,489
Changes in other reserves	(584)	-	(584)
Policy acquisition costs	(6,964)	(77)	(7,041)
Supervision and inspection fees	(705)	(29)	(734)
TOTAL UNDERWRITING COSTS AND EXPENSES	(121,375)	(2,103)	(123,478)
NET UNDERWRITING INCOME	30,509	22,186	52,695
OTHER OPERATING (EXPENSES)/INCOME			
Reversal of provision for impairment of receivables			53
General and administrative expenses			(31,978)
Commission from held to maturity Investments			8,945
Commission income on deposits			37
Unrealized gain on FVIS investments			875
Realized gain on FVIS investments			1,543
Dividends from FVIS investments			220
Other income			6,569
TOTAL OTHER OPERATING EXPENSES, NET			(13,736)
Income before surplus, Zakat and income tax			38,959
Net income attributed to the Insurance Operations			(3,515)
Income for the period attributable to the shareholders' before Zakat and income tax			35,444
Zakat			(978)
Income tax			(101)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS'			34,365

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the three month and nine month periods ended 30 September 2020

16. OPERATING SEGMENTS INFORMATION (continued)

	<i>For the nine month period ended 30 September 2019 (Unaudited)</i>		
	<i>Individual</i>	<i>Group</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
REVENUE			
Gross written contributions:			
Individual	52,810	-	52,810
Small Enterprises	-	200	200
Medium Enterprises	-	381	381
Corporate	-	16,019	16,019
Total gross written contributions	52,810	16,600	69,410
Contributions ceded:			
Local	-	-	-
Foreign	(695)	(4,580)	(5,275)
Net written contributions	52,115	12,020	64,135
Changes in unearned contributions, net	-	9,823	9,823
Net contribution earned	52,115	21,843	73,958
Other underwriting income	470	-	470
TOTAL REVENUES	52,585	21,843	74,428
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(30)	(4,820)	(4,850)
Reinsurers' share of claims paid	9	3,690	3,699
Net claims paid	(21)	(1,130)	(1,151)
Changes in outstanding claims, net	(107)	(1,570)	(1,677)
Changes in claims incurred but not reported, net	-	1,026	1,026
Net claims incurred	(128)	(1,674)	(1,802)
Investible contributions, net	(41,418)	-	(41,418)
Change in mathematical reserve	51	-	51
Policy acquisition costs	(2,653)	(255)	(2,908)
Supervision and inspection fees	(264)	(83)	(347)
TOTAL UNDERWRITING COSTS AND EXPENSES	(44,412)	(2,012)	(46,424)
NET UNDERWRITING INCOME	8,173	19,831	28,004
OTHER OPERATING INCOME/(EXPENSES)			
Increase in provision for impairment of receivables			(622)
General and administrative expenses			(7,321)
Commission from held to maturity Investments			7,359
Commission income on deposits			30
Unrealized gain on FVIS investments			1,388
Realized gain on FVIS investments			20
Other income			184
TOTAL OTHER OPERATING INCOME, NET			1,038
Income before surplus, Zakat and income tax			29,042
Net income attributed to the Insurance Operations			(2,353)
Income for the period attributable to the shareholders' before Zakat and income tax			26,689
Zakat			(735)
Income Tax			(35)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS'			25,919

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the three month and nine month periods ended 30 September 2020

17. SUPPLEMENTARY INFORMATION

a) INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	30 September			31 December		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2020 (Unaudited)</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>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 banks	35,109	555	35,664	15,454	4,233	19,687
Contributions receivable, net	178	-	178	2,094	-	2,094
Reinsurers' share of unearned Contributions	1,531	-	1,531	12,923	-	12,923
Reinsurers' share of outstanding claims	41,500	-	41,500	29,422	-	29,422
Reinsurers' share of claims incurred but not reported	4,996	-	4,996	5,669	-	5,669
Available for sale investments held to cover unit-linked liabilities	1,236,968	-	1,236,968	185,178	-	185,178
Investments	99,699	376,798	476,497	43,911	367,503	411,414
Due from related parties	913	4,830	5,743	28,176	2,191	30,367
Prepayments and other assets	3,061	116	3,177	2,405	68	2,473
Due from Insurance Operations	-	57,462	57,462	-	29,407	29,407
Fixtures, furniture and equipment	1,443	-	1,443	809	-	809
Reinsurance balances receivable	5,306	-	5,306	-	-	-
Statutory deposit	-	35,000	35,000	-	35,000	35,000
	<u>1,430,704</u>	<u>474,761</u>	<u>1,905,465</u>	<u>326,041</u>	<u>438,402</u>	<u>764,443</u>
Less: Inter-operations eliminations	-	(57,462)	(57,462)	-	(29,407)	(29,407)
TOTAL ASSETS	<u>1,430,704</u>	<u>417,299</u>	<u>1,848,003</u>	<u>326,041</u>	<u>408,995</u>	<u>735,036</u>
LIABILITIES						
Accrued expenses and other liabilities	30,132	4,664	34,796	15,955	2,696	18,651
Reinsurance balances payable	3,369	-	3,369	10,775	-	10,775
Unearned contributions	3,034	-	3,034	35,087	-	35,087
Outstanding claims	45,934	-	45,934	33,525	-	33,525
Claims incurred but not reported	6,099	-	6,099	7,023	-	7,023
Unit reserves	1,242,061	-	1,242,061	187,979	-	187,979
Mathematical reserve	8,851	-	8,851	360	-	360
Other reserves	12,242	-	12,242	-	-	-
Employee benefits	2,991	-	2,991	2,624	-	2,624
Zakat and income tax	-	1,136	1,136	-	1,110	1,110
Due to Shareholders' Operations	57,462	-	57,462	29,407	-	29,407
Surplus from Insurance Operations	18,578	-	18,578	3,355	-	3,355
	<u>1,430,753</u>	<u>5,800</u>	<u>1,436,553</u>	<u>326,090</u>	<u>3,806</u>	<u>329,896</u>
Less: Inter-operations eliminations	(57,462)	-	(57,462)	(29,407)	-	(29,407)
TOTAL LIABILITIES	<u>1,373,291</u>	<u>5,800</u>	<u>1,379,091</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	-	88,366	88,366	-	54,001	54,001
Re-measurement reserve of employee benefits – related to Insurance Operations	(49)	-	(49)	(49)	-	(49)
TOTAL EQUITY	<u>(49)</u>	<u>468,961</u>	<u>468,912</u>	<u>(49)</u>	<u>434,596</u>	<u>434,547</u>
TOTAL LIABILITIES AND EQUITY	<u>1,373,242</u>	<u>474,761</u>	<u>1,848,003</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
For the three month and nine month periods ended 30 September 2020

17. SUPPLEMENTARY INFORMATION (continued)

b) INTERIM CONDENSED STATEMENT OF INCOME

	<i>Three month period ended 30 September (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>
REVENUE						
Gross written contributions	60,704	-	60,704	30,423	-	30,423
Contributions ceded:						
Local	-	-	-	-	-	-
Foreign	(2,989)	-	(2,989)	(3,821)	-	(3,821)
Net written contributions	57,715	-	57,715	26,602	-	26,602
Change in unearned contributions, net	7,393	-	7,393	225	-	225
Net contribution earned	65,108	-	65,108	26,827	-	26,827
Other underwriting income	377	-	377	166	-	166
TOTAL REVENUES	65,485	-	65,485	26,993	-	26,993
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(11,086)	-	(11,086)	(1,548)	-	(1,548)
Reinsurers' share of claims paid	9,876	-	9,876	1,312	-	1,312
Net claims paid	(1,210)	-	(1,210)	(236)	-	(236)
Changes in outstanding claims, net	(67)	-	(67)	(248)	-	(248)
Changes in claims IBNR, net	1,147	-	1,147	(13)	-	(13)
Net claims incurred	(130)	-	(130)	(497)	-	(497)
Investible contributions, net	(49,077)	-	(49,077)	(15,418)	-	(15,418)
Changes in mathematical reserve	(86)	-	(86)	13	-	13
Changes in other reserves	35	-	35	-	-	-
Policy acquisition costs	(2,547)	-	(2,547)	(981)	-	(981)
Supervision and inspection fees	(303)	-	(303)	(152)	-	(152)
TOTAL UNDERWRITING COSTS AND EXPENSES	(52,108)	-	(52,108)	(17,035)	-	(17,035)
NET UNDERWRITING INCOME	13,377	-	13,377	9,958	-	9,958
OTHER OPERATING (EXPENSES)/ INCOME						
Reversal of / (Increase in) provision for impairment of receivables	664	-	664	(373)	-	(373)
General and administrative expenses	(7,955)	(3,092)	(11,047)	(1,568)	(1,005)	(2,573)
Commission from held to maturity investments	115	2,864	2,979	115	2,383	2,498
Commission income on deposits	26	-	26	12	1	13
Unrealised gain on FVIS investments	184	467	651	220	196	416
Realised loss on FVIS investments	-	(1)	(1)	-	-	-
Other income	2,093	1	2,094	35	22	57
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(4,873)	239	(4,634)	(1,559)	1,597	38

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the three month and nine month periods ended 30 September 2020

17. SUPPLEMENTARY INFORMATION (continued)

b) INTERIM CONDENSED STATEMENT OF INCOME (continued)

	<i>Three month period ended 30 September (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</i>
NET SURPLUS FROM OPERATIONS	8,504	239	8,743	8,399	1,597	9,996
Surplus transferred to Shareholders'	<u>(7,653)</u>	<u>7,653</u>	<u>-</u>	<u>(7,560)</u>	<u>7,560</u>	<u>-</u>
NET INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX	851	7,892	8,743	839	9,157	9,996
Zakat	-	(206)	(206)	-	(291)	(291)
Income tax	-	(20)	(20)	-	34	34
NET INCOME FOR THE PERIOD	851	7,666	8,517	839	8,900	9,739
Weighted average number of ordinary shares outstanding (in thousands)	<u>-</u>	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>35,000</u>	<u>-</u>
Basic and diluted earnings per share for the period (SR)	<u>-</u>	<u>0.219</u>	<u>-</u>	<u>-</u>	<u>0.254</u>	<u>-</u>

c) INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	<i>Three month period ended 30 September (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</i>
NET INCOME FOR THE PERIOD	851	7,666	8,517	839	8,900	9,739
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	851	7,666	8,517	839	8,900	9,739

- 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)

For the three month and nine month periods ended 30 September 2020

17. SUPPLEMENTARY INFORMATION (continued)

d) INTERIM CONDENSED STATEMENT OF INCOME

	<i>Nine month period ended 30 September (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>
REVENUE						
Gross written contributions	146,808	-	146,808	69,410	-	69,410
Contributions ceded:						
Local	-	-	-	-	-	-
Foreign	(10,427)	-	(10,427)	(5,275)	-	(5,275)
Net written contributions	136,381	-	136,381	64,135	-	64,135
Change in unearned contributions, net	20,661	-	20,661	9,823	-	9,823
Net contribution earned	157,042	-	157,042	73,958	-	73,958
Other underwriting income	19,131	-	19,131	470	-	470
TOTAL REVENUES	176,173	-	176,173	74,428	-	74,428
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(18,495)	-	(18,495)	(4,850)	-	(4,850)
Reinsurers' share of claims paid	16,263	-	16,263	3,699	-	3,699
Net claims paid	(2,232)	-	(2,232)	(1,151)	-	(1,151)
Changes in outstanding claims, net	(331)	-	(331)	(1,677)	-	(1,677)
Changes in IBNR, net	251	-	251	1,026	-	1,026
Net claims incurred	(2,312)	-	(2,312)	(1,802)	-	(1,802)
Investible contributions, net	(115,296)	-	(115,296)	(41,418)	-	(41,418)
Changes in mathematical reserve	2,489	-	2,489	51	-	51
Changes in other reserves	(584)	-	(584)	-	-	-
Policy acquisition costs	(7,041)	-	(7,041)	(2,908)	-	(2,908)
Supervision and inspection fees	(734)	-	(734)	(347)	-	(347)
TOTAL UNDERWRITING COSTS AND EXPENSES	(123,478)	-	(123,478)	(46,424)	-	(46,424)
NET UNDERWRITING INCOME	52,695	-	52,695	28,004	-	28,004
OTHER OPERATING (EXPENSES)/INCOME						
Reversal of / (Increase in) provision for impairment of receivables	53	-	53	(622)	-	(622)
General and administrative expenses	(24,994)	(6,984)	(31,978)	(5,098)	(2,223)	(7,321)
Commission from held to maturity investments	342	8,603	8,945	341	7,018	7,359
Commission income on deposits	37	-	37	27	3	30
Unrealised gain on FVIS investments	446	429	875	734	654	1,388
Realised gain on FVIS investments	-	1,543	1,543	20	-	20
Dividends from FVIS investments	-	220	220	-	-	-
Other income	6,567	2	6,569	133	51	184
TOTAL OTHER OPERATING (EXPENSES)/INCOME	(17,549)	3,813	(13,736)	(4,465)	5,503	1,038

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the three month and nine month periods ended 30 September 2020

17. SUPPLEMENTARY INFORMATION (continued)

d) INTERIM CONDENSED STATEMENT OF INCOME (continued)

	<i>Nine month period ended 30 September (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</i>
NET SURPLUS FROM OPERATIONS	35,146	3,813	38,959	23,539	5,503	29,042
Surplus transferred to Shareholders	<u>(31,631)</u>	<u>31,631</u>	<u>-</u>	<u>(21,186)</u>	<u>21,186</u>	<u>-</u>
NET INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX	3,515	35,444	38,959	2,353	26,689	29,042
Zakat	-	(978)	(978)	-	(735)	(735)
Income Tax	<u>-</u>	<u>(101)</u>	<u>(101)</u>	<u>-</u>	<u>(35)</u>	<u>(35)</u>
NET INCOME FOR THE PERIOD	<u>3,515</u>	<u>34,365</u>	<u>37,880</u>	<u>2,353</u>	<u>25,919</u>	<u>28,272</u>
Weighted average number of ordinary shares outstanding (in thousands)	<u>-</u>	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>35,000</u>	<u>-</u>
Basic and diluted earnings per share for the period (SR)	<u>-</u>	<u>0.982</u>	<u>-</u>	<u>-</u>	<u>0.741</u>	<u>-</u>

e) INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	<i>Nine month period ended 30 September (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</i>
NET INCOME FOR THE PERIOD	3,515	34,365	37,880	2,353	25,919	28,272
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>3,515</u>	<u>34,365</u>	<u>37,880</u>	<u>2,353</u>	<u>25,919</u>	<u>28,272</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)

For the three month and nine month periods ended 30 September 2020

17. SUPPLEMENTARY INFORMATION (continued)

f) INTERIM CONDENSED STATEMENT OF CASH FLOWS

	<i>Nine month period ended 30 September (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	3,515	35,444	38,959	2,353	26,689	29,042
Adjustments for non-cash items:						
Reinsurers' share of unearned contributions	11,392	-	11,392	6,281	-	6,281
Unearned contributions	(32,053)	-	(32,053)	(16,104)	-	(16,104)
(Reversal of) / Increase in provision for impairment of receivables	(53)	-	(53)	622	-	622
Commission from held to maturity investments	(342)	(8,603)	(8,945)	(342)	(7,017)	(7,359)
Unrealized gain on FVIS investments	(446)	(429)	(875)	(735)	(653)	(1,388)
Realized gain on FVIS investments	-	(1,543)	(1,543)	(20)	-	(20)
Dividends from FVIS investments	-	(220)	(220)	-	-	-
Depreciation	197	-	197	93	-	93
Employee benefits	665	-	665	496	-	496
	(17,125)	24,649	7,524	(7,356)	19,019	11,663
Changes in operating assets and liabilities:						
Contributions receivable, net	1,969	-	1,969	(5,293)	-	(5,293)
Reinsurers' share of outstanding claims	(7,137)	-	(7,137)	(16,578)	-	(16,578)
Reinsurers' share of claims incurred but not reported	673	-	673	1,006	-	1,006
Available for sale investments held to cover unit-linked liabilities, net	(54,863)	-	(54,863)	(36,894)	-	(36,894)
Due from related parties	80,815	(2,639)	78,176	(18,191)	-	(18,191)
Prepayments and other assets	(656)	(48)	(704)	(535)	(84)	(619)
Accrued expenses and other liabilities	11,731	1,968	13,699	3,059	(587)	2,472
Reinsurers' balances payable	(12,712)	-	(12,712)	1,280	-	1,280
Outstanding claims	7,468	-	7,468	18,255	-	18,255
Claims incurred but not reported	(924)	-	(924)	(2,032)	-	(2,032)
Unit reserve	57,155	-	57,155	37,290	-	37,290
Mathematical reserve	(2,489)	-	(2,489)	(51)	-	(51)
Other reserves	584	-	584	-	-	-
Due to Shareholders' Operations	28,055	-	28,055	20,545	-	20,545
Due from Shareholders' Operations	-	(28,055)	(28,055)	-	(20,545)	(20,545)
Cash from / (used in) operations	92,544	(4,125)	88,419	(5,495)	(2,197)	(7,692)
Zakat and income tax paid	-	(1,053)	(1,053)	-	(975)	(975)
Employee benefits paid	(298)	-	(298)	(39)	-	(39)
Surplus distributed to policy holders	(16,760)	-	(16,760)	-	-	-
Net cash from / (used in) operating activities	75,486	(5,178)	70,308	(5,534)	(3,172)	(8,706)
INVESTING ACTIVITIES						
Proceeds from disposal of HTM investments	-	8,000	8,000	-	-	-
Proceeds from disposal of FVIS investments	-	14,214	14,214	10,000	4,000	14,000
Purchase of FVIS investments	(55,000)	(27,820)	(82,820)	-	(3,500)	(3,500)
Commission received from HTM investments	-	6,886	6,886	-	1,417	1,417
Dividends from FVIS investments	-	220	220	-	-	-
Purchase of fixtures, furniture and equipment	(831)	-	(831)	(416)	-	(416)
Net cash (used in) / from investing activities	(55,831)	1,500	(54,331)	9,584	1,917	11,501
Net increase / (decrease) in cash at banks	19,655	(3,678)	15,977	4,050	(1,255)	2,795
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	35,109	555	35,664	17,258	2,599	19,857

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the three month and nine month periods ended 30 September 2020

18. IMPACT OF COVID 19

On 11 March 2020, the World Health Organisation (“WHO”) declared the Coronavirus (“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.

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.

To cater for any potential impacts, the Covid-19 pandemic may have had on the financial assets of the Company, the Company has performed an assessment in accordance with its accounting policy, to determine whether there is an objective evidence that a financial asset or a group of financial assets has been impaired. For debt financial assets, 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.

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 three and nine month periods ended 30 September 2020. The Company’s management continues to monitor the situation closely.

19. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors on 17 Rabi Al Awal 1442H, corresponding to 3 November 2020.