
ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

**FOR THE THREE-MONTH AND NINE-MONTH
PERIODS ENDED 30 SEPTEMBER 2023**

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month and nine-month periods ended 30 September 2023

<u>INDEX</u>	<u>PAGES</u>
Independent Auditors' Report on the review of condensed interim financial statements	1
Condensed statement of financial position	2
Condensed statement of income	3
Condensed statement of comprehensive income	4
Condensed statement of changes in equity	5
Condensed statement of cash flows	6
Notes to the condensed interim financial statements	7 – 69



KPMG Professional Services
Zahran Business Center
Prince Sultan Street
P.O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Commercial Registration No 4030290792

Headquarters in Riyadh



BDO Dr. Mohamed Al-Amri & Co.
5th floor 7575 Center, Madinah Road
Jeddah 21421
Kingdom of Saudi Arabia

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

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

Introduction

We have reviewed the accompanying condensed statement of financial position of AlJazira Takaful Taawuni Company - a Saudi Joint Stock Company (the "Company") as at 30 September 2023, and the related condensed statements of income, comprehensive income for the three-month and nine-month periods then ended and the condensed statements of changes in equity and cash flows for the nine-month period then ended and other explanatory notes (collectively referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" (IAS 34) as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

for KPMG Professional Services

Nasser Ahmed Al Shutairy
License No. 454



for BDO Dr. Mohamed Al-Amri & Co.

Maher T. Al-Khatieb
License No. 514



12 November 2023
Corresponding to 28 Rabi-ul-Thani 1445H

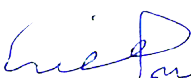
ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 September 2023

		30 September 2023 (Unaudited)	31 December 2022 (Unaudited) Restated*
	<i>Notes</i>	SAR'000	SAR'000
ASSETS			
Cash and cash equivalents	4	121,641	263,179
Investments held to cover unit-linked liabilities	5	1,407,525	1,278,506
Investments held at fair value through profit or loss	6.1	276,319	189,150
Investment held at fair value through other comprehensive income	6.2	39,703	39,703
Investments held at amortised cost	6.3	501,716	414,469
Due from a related party	12	6,779	2,807
Prepayments and other assets		21,111	18,717
Reinsurance contract assets	7	37,665	34,011
Property and equipment		2,738	3,415
Intangible assets		1,559	2,150
Right-of-use assets		1,844	3,005
Goodwill		232,255	232,255
Accrued income on statutory deposit	11	88	--
Statutory deposit	11	54,991	54,991
TOTAL ASSETS		2,705,934	2,536,358
LIABILITIES			
Accrued expenses and other liabilities		118,270	120,174
Lease liabilities		1,534	3,035
Insurance contract liabilities	7	1,641,572	1,507,242
Reinsurance contract liabilities	7	--	4,746
Provision for employee end of service benefits		6,197	5,576
Accrued income on statutory deposit	11	88	--
Zakat and income tax	13	4,193	2,908
TOTAL LIABILITIES		1,771,854	1,643,681
EQUITY			
Share capital	14	660,000	550,000
Share premium	14	87,286	197,286
Statutory reserve	10	48,303	48,303
Retained earnings		100,318	58,915
Fair value reserve		37,780	37,780
TOTAL SHAREHOLDERS' EQUITY		933,687	892,284
Remeasurement reserve of employee benefits - related to Insurance Operations		393	393
TOTAL EQUITY		934,080	892,677
TOTAL LIABILITIES AND EQUITY		2,705,934	2,536,358

*Comparative information has been restated (refer note 3).



Chairman



Chief Financial Officer



Managing Director

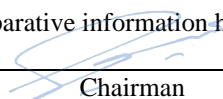
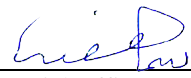

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED STATEMENT OF INCOME

For the three-month and nine-month periods ended 30 September 2023

	Notes	Three-month period ended 30 September 2023 (Unaudited) SAR '000	Three-month period ended 30 September 2022 (Unaudited) Restated* SAR '000	Nine-month period ended 30 September 2023 (Unaudited) SAR '000	Nine-month period ended 30 September 2022 (Unaudited) Restated* SAR '000
Insurance revenue	8	86,730	62,382	228,676	150,421
Insurance service expenses	8	(80,019)	(54,494)	(190,847)	(93,673)
Net income / (expenses) from reinsurance contracts held	8	2,351	(11,362)	(11,920)	(38,357)
Insurance service result		9,062	(3,474)	25,909	18,391
Net (loss) / income on investments measured at FVTPL	5 & 6.1	(32,747)	(31,839)	181,341	(232,730)
Commission income on investments measured at amortised cost	6.3	2,538	2,617	10,107	8,643
Commission income on short term deposits	4	3,643	28	7,133	29
Net reversal / (impairment) loss on financial assets		13	(43)	(53)	(52)
Investment return		(26,553)	(29,237)	198,528	(224,110)
Net finance income / (expense) from insurance contracts issued	9	35,598	33,533	(177,984)	236,705
Net finance income from reinsurance contracts held	9	275	148	864	259
Net financial results		9,320	4,444	21,408	12,854
Other income		12,691	12,106	27,684	18,160
Other operating expenses		(13,812)	(2,856)	(30,822)	(20,154)
Income for the period attributable to the shareholders before zakat and income tax		17,261	10,220	44,179	29,251
Zakat	13.1	(210)	(263)	(1,234)	(945)
Income tax	13.2	(138)	(148)	(1,542)	(845)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS		16,913	9,809	41,403	27,461
Weighted average number of ordinary shares outstanding (in thousands of shares)	14	66,000	66,000	66,000	66,000
Earnings per share for the period (SAR / share) (Basic and diluted)	14	0.26	0.15	0.63	0.42

*Comparative information has been restated (refer note 3).

		
Chairman	Chief Financial Officer	Managing Director

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

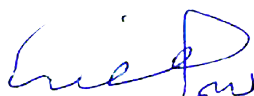
ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the three-month and Nine-month periods ended 30 September 2023

	<i>Three-month period ended 30 September 2023 (Unaudited) SAR '000</i>	<i>Three-month period ended 30 September 2022 (Unaudited) Restated* SAR '000</i>	<i>Nine-month period ended 30 September 2023 (Unaudited) SAR '000</i>	<i>Nine-month period ended 30 September 2022 (Unaudited) Restated* SAR '000</i>
Net income for the period attributable to the shareholders	16,913	9,809	41,403	27,461
Other comprehensive income	--	--	--	--
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	16,913	9,809	41,403	27,461

*Comparative information has been restated (refer note 3).



Chairman



Chief Financial Officer



Managing Director

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONDENSED STATEMENT OF CHANGES IN EQUITY
For the nine-month period ended 30 September 2023

	Shareholders' equity						Re-measurement reserve of employee benefits – related to insurance operations	Total equity
	Share capital SAR'000	Share premium SAR'000	Statutory reserve SAR'000	Retained earnings SAR'000	Fair value reserve SAR'000	Total shareholders' equity SAR'000	SAR'000	SAR'000
Balance at 1 January 2023 – (Unaudited), Restated*	550,000	197,286	48,303	58,915	37,780	892,284	393	892,677
Net income for the period	--	--	--	41,403	--	41,403	--	41,403
Other comprehensive income	--	--	--	--	--	--	--	--
Total comprehensive income	--	--	--	41,403	--	41,403	--	41,403
Issuance of bonus shares	110,000	(110,000)	--	--	--	--	--	--
Balance as at 30 September 2023 – (Unaudited)	660,000	87,286	48,303	100,318	37,780	933,687	393	934,080
Balance at 1 January 2022, as previously reported	550,000	197,286	42,632	22,812	--	812,730	1,242	813,972
Impact of initial application of IFRS 17 (note 3.2.4)	--	--	--	3,295	--	3,295	--	3,295
Impact of initial application of IFRS 9 (note 3.3.4)	--	--	--	--	35,069	35,069	--	35,069
Balance at 1 January 2022 –(Unaudited), Restated*	550,000	197,286	42,632	26,107	35,069	851,094	1,242	852,336
Net income for the period	--	--	--	27,461	--	27,461	--	27,461
Other comprehensive income	--	--	--	--	--	--	--	--
Total comprehensive income (Unaudited), Restated*	--	--	--	27,461	--	27,461	--	27,461
Balance as at 30 September 2022 (Unaudited), Restated*	550,000	197,286	42,632	53,568	35,069	878,555	1,242	879,797

*Comparative information has been restated (refer note 3).

Chairman

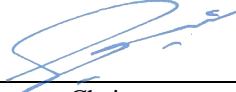
Chief Financial Officer

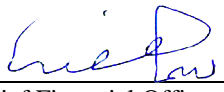
Managing Director

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

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONDENSED STATEMENT OF CASH FLOWS
For the nine-month period ended 30 September 2023

	Notes	30 September 2023 (Unaudited) SAR'000	30 September 2022 (Unaudited) Restated* SAR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Income for the period attributable to the shareholders before zakat and income tax		44,179	29,251
Adjustments for non-cash items:			
Net income / (loss) on investments measured at FVTPL	6.3	(181,341)	232,730
Commission income on investments measured at amortised cost	5 & 6.1	(10,107)	(8,643)
Commission income on short term deposits		(7,133)	(29)
Expected credit loss on investments at amortised cost		53	52
Depreciation and amortization		2,687	3,438
Finance cost of lease liabilities		28	46
Expense charged to profit or loss related to employee's benefit		1,125	1,160
		(150,509)	258,005
<i>Changes in operating assets and liabilities:</i>			
Insurance and reinsurance contract assets and liabilities		300,634	(457,666)
Investments held to cover unit-linked liabilities		(129,019)	279,349
Due to and from related parties		(3,972)	57,062
Prepayments and other assets		(2,394)	7,914
Accrued and other liabilities		(1,904)	16,914
Cash generated from operations		163,345	(96,427)
Zakat and income tax paid	13	(1,491)	(1,255)
Employee benefits paid		(504)	(1,395)
Net cash generated from operating activities		10,841	158,928
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investments held at FVTPL		76,506	84,768
Purchase of investments held at amortised cost	6.3.2	(100,000)	(166,000)
Purchase of investments held at FVTPL	6.1	(150,000)	(60,914)
Proceeds from redemption of investment held at amortised cost		11,512	12,411
Commission received from investments held at amortised cost	6.3.1	11,325	12,953
Dividend income received from investments held at FVTPL		65	197
Purchase of property and equipment		(258)	(1,291)
Increase in statutory deposit		-	(7,934)
Net cash used in investing activities		(150,850)	(125,810)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities		(1,529)	(1,071)
Net cash used in financing activities		(1,529)	(1,071)
Net increase in cash and cash equivalents		(141,538)	32,047
Cash and cash equivalents at the beginning of the period	4	263,179	83,021
Cash and cash equivalents at the end of the period	4	121,641	115,068


Chairman


Chief Financial Officer


Managing Director

*Comparative information has been restated (refer note 3).

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

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
At 30 September 2023

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 (“CR”) 4030251980 on 2 Ramadan 1434H corresponding to 10 July 2013 and Ministry of Commerce and Industry’s Resolution dated 24 Sha’baan 1434H corresponding to 03 July 2013. The Company operates only in the Kingdom of Saudi Arabia. The Company has the following branches, and the assets, liabilities, and results of operations of these branches and offices are included in these condensed interim financial statements:

<u>Branch</u>	<u>CR Number</u>	<u>Date</u>
Riyadh	1010435872	13 Shawwal 1436
Madinah	4650081845	21 Rabi’ Al-Awal 1438
AlKhobar	2051224259	24 Jumada Al-Awal 1440

The registered office address of the Company is:

Al Musadia Plaza (3), Al Madinah Road,
P.O. Box 5215, Jeddah 21422, Kingdom of Saudi Arabia.

The objectives of the Company are to engage in providing insurance products that include protection and saving insurance products and related services in accordance with its By-Laws and applicable regulations in the Kingdom of Saudi Arabia. On 13 Jumada al-Thani 1442H (corresponding to 26 January 2021), the Company amended its By-Laws to include the objective of practicing general insurance and health insurance business. The Company received license number TMN/34/201312 dated 15 Safar 1435H (corresponding to 18 December 2013) from the Saudi Central Bank (SAMA) to conduct insurance business. The Company is owned 97.80% by Saudi shareholders’ and the general public subject to Zakat and 2.2% by non-Saudi shareholders subject to income tax. On 16 Rajab 1442 (corresponding to 28 February 2021), the Company completed a statutory merger with Solidarity Saudi Takaful Company (“Solidarity”). Following the merger, the assets, liabilities and all the business activities of Solidarity were transferred to the Company in exchange for newly issued shares of the Company. The purchase consideration was determined to be SAR 317,950 thousand, which consisted of the issue of 12,066,403 new shares to the shareholders of Solidarity. As a result, there was an increase in share capital and share premium of SAR 120,664 thousand and SAR 197,286 thousand, respectively, during the year ended 31 December 2021. The merger had been accounted for using the acquisition method under IFRS 3 – Business Combinations with the Company being the acquirer and Solidarity being the acquiree. During the year ended 31 December 2021, the Company completed the process of allocating the purchase consideration to the identifiable assets and liabilities in accordance with the requirements of IFRS 3. Accordingly, goodwill amounting to SAR 232,255 thousand is recognised in the statement of financial position (net-off impact of onerous contracts recognised on the acquisition in accordance with IFRS 17).

During the current period, the Company has increased its share capital from SAR 550,000 thousand to SAR 660,000 thousand through the issue of bonus shares (please refer to note 14).

The new Companies Law issued through Royal Decree M/132 on 01/12/1443H (corresponding to 30 June 2022) (hereinafter referred as “the New Law”) came into force on 26/06/1444 H (corresponding to 19 January 2023) as well as the amended implementing regulations issued by the Capital Market Authority (CMA) based on the New Law. For certain provisions of the New Law and the amended CMA implementing regulations, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management is in process of assessing the impact of the New Law and will amend its By-laws with the amendments in the provisions required to align with the provisions of the New Law and the amended CMA implementing regulations, and with any other amendments that may take advantage of the New Law and the amended CMA implementing regulations. Consequently, the Company shall present the amended By-laws to the shareholders in its Extraordinary General Assembly meeting for their ratification.

During the period ended 30 September 2023, there were no significant changes in products or services and their terms of the insurance contracts offered by the Company.

2. BASIS OF PREPARATION

a) Statement of compliance

The condensed interim financial statements of the Company 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 pronouncement issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”). This is the first set of the Company’s condensed interim financial statements for the nine-month period ended 30 September 2023 in which IFRS 17 - Insurance Contracts (“IFRS 17”) and IFRS 9 - Financial Instruments (“IFRS 9”) as endorsed in Kingdom of Saudi Arabia have been applied and the resultant changes to the significant judgments, estimates and accounting policies are described in Note 3. Comparative information was restated due to the adoption of IFRS 17 and IFRS 9.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

2. BASIS OF PREPARATION (continued)

a) Statement of compliance (continued)

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 books of accounts.

b) Basis of measurement

The condensed interim financial statements have been prepared on the historical cost basis, except for investments held to cover unit-linked liabilities, investments held at fair value through profit or loss and investments held at fair value through other comprehensive income that are measured at fair value and defined benefits obligations, which are recognised at the present value of future obligation using Projected Unit Credit Method. Moreover, the insurance and reinsurance contracts are measured at the estimated fulfilment cash flows that are expected to arise as the Company fulfils its contractual obligations and a contractual service margin (“CSM”) in accordance with IFRS 17 (refer note 3). Further, the condensed interim financial statements are prepared using the accrual basis of accounting and the going concern assumption.

The Company’s condensed statement of financial position is presented in order of liquidity. Except for property and equipment, intangible assets, right-of-use assets, goodwill, statutory deposit, employee benefits, lease liabilities and longer duration insurance and reinsurance contracts, all other assets and liabilities are of short-term nature, unless stated otherwise.

c) Basis of presentation

The condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended 31 December 2022. Comparative information was restated due to the adoption of IFRS 17 - Insurance Contracts (“IFRS 17”) and IFRS 9 - Financial Instruments (“IFRS 9”), to maintain comparability. Refer to note 3 for more details. The condensed interim financial statements may not be considered indicative of the expected results for the full year.

d) Functional and presentation currency

The condensed interim financial statements are expressed in Saudi Arabian Riyals (SAR), which is also the functional currency of the Company. All financial information presented in SAR has been rounded to the nearest thousands, except where otherwise indicated.

e) Seasonality of operations

Other than normal seasonality in the Medical Insurance Business in the Kingdom of Saudi Arabia, there are no seasonal changes that may affect the insurance operations of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies used in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2022, except as explained below:

A number of new or amended standards became applicable for the current reporting period and the Company had to change its accounting policies as a result of adopting the following standards:

- a) IFRS 17 Insurance contracts (“IFRS 17”), and
- b) IFRS 9 Financial Instruments (“IFRS 9”).

The new accounting policies and the impact of the adoption of these new standards are disclosed in note 3.2.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

A number of other amendments became applicable for the current reporting period i.e. for reporting periods beginning on or after 1 January 2023. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments which are described below:

<u>Interpretation</u>	<u>Description</u>
IAS 1	Classification of Liabilities as Current or Non-current – Amendments to IAS 1
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Narrow scope amendments to IAS 1, IFRS Practice Statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

Certain new interpretations issued but not yet effective up to the date of issuance of the Company's condensed interim financial statements are listed below. The listing is of interpretations issued, which the Company reasonably expects to be applicable at a future date. Management is in the process of assessing the impact of such new interpretations on its financial statements. The Company intends to adopt these interpretations when they are effective.

<u>Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
IFRS 16	Lease liability in a sale and leaseback – Amendments to IFRS 16	1 January 2024
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

3.2 IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods on or after 1 January 2023. The Company has restated comparative information for 2022 applying the full retrospective, modified retrospective and fair value transition approaches prescribed in the standard. The nature of the changes in accounting policies can be summarised, as follows:

3.2.1 Changes in accounting policies:

a) Recognition, measurement, and presentation of insurance contracts

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows ("FCF") that are expected to arise as the Company fulfils its contractual obligations, an explicit risk adjustment for non-financial risk and a CSM.

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cashflows. In addition, investment components are no longer included in insurance revenue and insurance service expenses.

The Company no longer applies shadow accounting to insurance-related assets and liabilities.

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 IFRS 17 Insurance Contracts (continued)

3.2.1 Changes in accounting policies (continued):

a) Recognition, measurement, and presentation of insurance contracts (continued)

The Company applies the Premium Allocation Approach (PAA) to simplify the measurement of contracts in the non-life and group life segments and Variable Fee Approach (VFA) to individual life contracts. When measuring liabilities for remaining coverage, the PAA is similar to the Company's previous accounting treatment. However, when measuring liabilities for incurred claims, the Company now discounts the future cash flows (unless they are expected to occur in one year or less from the date on which the claims are incurred) and includes an explicit risk adjustment for non-financial risk.

Income and expenses from reinsurance contracts i.e., amounts recovered from reinsurers and reinsurance expenses are presented separately on the Statement of Income.

Previously, all acquisition costs were recognised and presented as separate assets from the related insurance contracts ('deferred acquisition costs') until those costs were included in profit or loss. Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised. The Company has not identified any insurance contract with pre-coverage cash flows.

b) Separating components from insurance and reinsurance contracts

At inception, the Company separates the following components from an insurance or reinsurance contract and accounts for them as if they were stand-alone financial instruments:

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance or reinsurance contract as a stand-alone instrument, however the Company has not issued any such instruments; and
- distinct investment components: i.e. investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

A good or service is distinct if the policy holder can benefit from it either on its own or with other resources that are readily available to the policy holder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the insurance component, and the Company provides a significant service of integrating the good or service with the insurance component.

c) Aggregation and recognition of insurance and reinsurance contracts

Insurance contracts

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual and quarterly cohorts and each cohort into groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

Contracts within a portfolio that would fall into different groups only because law or regulation specifically constrains the Company's practical ability to set a different price or level of benefits for policyholders with different characteristics are included in the same group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 IFRS 17 Insurance Contracts (continued)

3.2.1 Changes in accounting policies (continued):

c) Aggregation and recognition of insurance and reinsurance contracts (continued):

Insurance contracts (continued)

An insurance contract issued by the Company is recognised from the earliest of:

- the beginning of its coverage period (i.e. the period during which the Company provides services in respect of any premiums within the boundary of the contract);
- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- when facts and circumstances indicate that the contract is onerous.

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

Reinsurance contracts

Groups of reinsurance contracts are established such that each group comprises a single contract.

Some reinsurance contracts provide cover for underlying contracts that are included in different groups. However, the Company concludes that the reinsurance contract's legal form of a single contract reflects the substance of the Company's contractual rights and obligations, considering that the different covers lapse together and are not sold separately. As a result, the reinsurance contract is not separated into multiple insurance components that relate to different underlying groups.

A group of reinsurance contracts is recognised on the following date:

- Reinsurance contracts initiated by the Company that provide proportionate coverage: The date on which any underlying insurance contract is initially recognised. This applies to the Company's quota share reinsurance contracts.
- Other reinsurance contracts initiated by the Company: The beginning of the coverage period of the group of reinsurance contracts. However, if the Company recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognised on that earlier date. This applies to the Company's excess of loss contracts.

d) Insurance acquisition cash flows

Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

If insurance acquisition cash flows are directly attributable to a group of contracts (e.g. non-refundable commissions paid on issuance of a contract), then they are allocated to that group and to the groups that will include renewals of those contracts. The allocation to renewals only applies to individual protection and savings contracts. The Company expects to recover part of the related insurance acquisition cash flows through renewals of these contracts. The allocation to renewals is based on the manner in which the Company expects to recover those cash flows.

If insurance acquisition cash flows are directly attributable to a portfolio but not to a group of contracts, then they are allocated to groups in the portfolio using a systematic and rational method. For the purpose of these condensed interim financial statement no such acquisition costs were identified.

Insurance acquisition cash flows arising before the recognition of the related group of contracts are recognised as an asset. Insurance acquisition cash flows arise when they are paid or when a liability is required to be recognised under a standard other than IFRS 17. Such an asset is recognised for each group of contracts to which the insurance acquisition cash flows are allocated. The asset is derecognised, fully or partially, when the insurance acquisition cash flows are included in the measurement of the group of contracts.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 IFRS 17 Insurance Contracts (continued)

3.2.1 Changes in accounting policies (continued):

e) Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group, determined as follows:

Insurance contracts	<p>Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and any investment services).</p> <p>A substantive obligation to provide services ends when:</p> <ul style="list-style-type: none"> - the Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or - the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date. <p>The reassessment of risks considers only risks transferred from policyholders to the Company, which may include both insurance and financial risks, but exclude lapse and expense risks.</p>
Reinsurance contracts	<p>Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:</p> <ul style="list-style-type: none"> - has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or - has a substantive right to terminate the coverage.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations and, therefore, may change over time.

f) Fulfilment cash flows

Fulfilment cash flows comprise:

- estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment for non-financial risk.

The Company's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value. If there are significant interdependencies between cash flows that vary based on changes in market variables and other cash flows, then the Company uses stochastic modelling techniques to estimate the expected present value. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for market variables such as interest rates and equity returns.

Estimates of future cash flows

In estimating future cash flows, the Company incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows reflect the Company's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 IFRS 17 Insurance Contracts (continued)

3.2.1 Changes in accounting policies (continued):

f) Fulfilment cash flows (continued):

When estimating future cash flows, the Company takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted.

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include:

- claims handling, maintenance and administration costs;
- recurring commissions payable on instalment premiums receivable within the contract boundary;
- costs that the Company will incur in providing investment services;
- costs that the Company will incur in performing investment activities to the extent that the Company performs them to enhance benefits from insurance coverage for policyholders by generating an investment return from which policyholders will benefit if an insured event occurs;
- and other costs specifically chargeable to the policyholders under the terms of the contracts.

Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads. Acquisitions costs, claims handling costs and other attributable expenses are allocated on a group of contract level based on gross premium ratio.

Contract boundaries

The assessment of the contract boundary, which defines which future cash flows are included in the measurement of a contract, requires judgement and consideration of the Company's substantive rights and obligations under the contract.

g) Onerous groups of contracts:

Life risk, life savings and participating contracts

Assumptions about mortality/longevity, morbidity and policyholder behaviour that are used in estimating future cash flows are developed by product type at local entity level, reflecting standard industry and national experience.

Mortality/longevity and morbidity assumptions are generally developed using a blend of national mortality data, industry trends and the local entity's recent experience. Experience is monitored through regular studies, the results of which are reflected both in the pricing of new products and in the measurement of existing contracts.

Policyholder behaviour is a key assumption in the measurement of life savings and participating insurance contracts. Each type of policyholder behaviour is estimated by product type, based on trends in recent experience. To determine how to identify changes in discretionary cash flows for these contracts, the Company generally regards its commitment to be the return implicit in the estimates of the fulfilment cash flows on initial recognition, updated to reflect current financial risk assumptions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 IFRS 17 Insurance Contracts (continued)

3.2.1 Changes in accounting policies (continued):

g) Onerous groups of contracts (continued):

Non-life contracts

The Company estimates the ultimate cost of settling claims incurred but unpaid at the reporting date and the value of salvage and other expected recoveries by reviewing individual claims reported and making allowance for claims incurred but not yet reported. The ultimate cost of settling claims is estimated using a range of loss reserving techniques – e.g. the chain-ladder and Bornhuetter-Ferguson methods. These techniques assume that the Company's own claims experience is indicative of future claims development patterns and therefore ultimate claims cost. The ultimate cost of settling claims is estimated separately for each line of business, except for large claims, which are assessed separately from other claims. The assumptions used, including loss ratios and future claims inflation, are implicitly derived from the historical claims development data on which the projections are based, although judgement is applied to assess the extent to which past trends might not apply in the future and future trends are expected to emerge.

h) Discount rates

All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. The Company generally determines the risk-free rates using EIOPA rates denominated in USD and adjusted for the country risk premium. The yield curve is interpolated between the last available market data point and an ultimate forward rate, which reflects long-term real interest rate and inflation expectations.

Cash flows that vary based on the returns on any financial underlying items are adjusted for the effect of that variability using risk-neutral measurement techniques and discounted using the risk-free rates as adjusted for illiquidity.

i) Risk adjustment for non-financial risk

Risk adjustments for non-financial risk are determined to reflect the compensation that the individual issuing entity would require for bearing non-financial risk, separately for the non-life and other contracts, and are allocated to groups of contracts based on an analysis of the risk profiles of the groups. Risk adjustments for non-financial risk reflect the diversification benefits from contracts issued by the entity, in a way that is consistent with the compensation that it would require and that reflects its degree of risk aversion, and the effects of the diversification benefits are determined using a correlation matrix technique.

The risk adjustments for non-financial risk are determined using the following techniques:

- non-life contracts and group life contracts: Stochastic - Bornhuetter Ferguson Method and Mack Lognormal Method;
- life and participating contracts: Solvency II Stress Scenarios.

To determine the risk adjustments for non-financial risk for reinsurance contracts, the Company applies these techniques both gross and net of reinsurance and derives the amount of risk being transferred to the reinsurer as the difference between the two results.

j) Contractual service margin (CSM)

Determination of coverage units

The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year based on the number of coverage units provided in the year, which is determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date.

For insurance contracts that provide both insurance coverage and investment services, the quantity of benefits are determined using the Sum Assured of individual contracts.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 IFRS 17 Insurance Contracts (continued)

3.2.1 Changes in accounting policies (continued):

k) Investment components

The Company identifies the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance. These include circumstances in which an insured event occurs or the contract matures or is terminated without an insured event occurring. Investment components are excluded from insurance revenue and insurance service expenses.

l) Fair value of insurance contracts

The Company has measured the fair value of insurance contracts when it applied the fair value approach on transition to IFRS 17. The Company has measured the fair value of insurance contracts as the sum of (a) the present value of the net cash flows expected to be generated by the contracts, determined using a discounted cash flow technique; and (b) an additional margin, determined using a confidence level technique.

The cash flows considered in the fair value measurement are consistent with those that were within the contract boundary. Therefore, the cash flows related to expected future renewals of insurance contracts are not considered in determining the fair value of those contracts if they are outside the contract boundary.

The Company's approach to measuring fair value differs from measuring fulfilment cash flows in certain respects in accordance with the IFRS 17 requirements. These differences gave rise to a CSM at the date of acquisition or transition. In particular, in measuring fair value the Company:

- considers the cash flows included in the measurement of fulfilment cash flows but adjusts them to reflect the perspective of market participants. For example, expense cash flows are increased to cover a reasonable level of general overheads that are not directly attributable to fulfilling the insurance contracts but that a market participant acquiring the contracts would expect to bear;
- uses the discount rates applied in measuring fulfilment cash flows but increases the rates to reflect the effect of the Company's non-performance risk; and
- includes a margin comprising a risk premium to reflect what market participants would demand as compensation for the uncertainty inherent in the cash flows and a profit margin to reflect what market participants would require assuming the obligations to service the insurance contracts. In determining the risk premium, the Company allows for certain risks that were not reflected in the fulfilment cash flows but would be considered by market participants – e.g. general operational risk.

m) Variable fee approach

For Protection and Savings products (unit-linked) which are measured using variable fee approach since these products meet the following qualifying criteria:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items
- the entity expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 IFRS 17 Insurance Contracts (continued)

3.2.1 Changes in accounting policies (continued):

n) Measurement - Contracts not measured under the PAA

Insurance contracts - Initial measurement

On initial recognition, the Company measures a group of insurance contracts as the total of:

- a) the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and
- b) the CSM.

The fulfilment cash flows of a group of insurance contracts do not reflect the Company's non-performance risk.

The risk adjustment for non-financial risk for a group of insurance contracts, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

The CSM of a group of insurance contracts represents the unearned profit that the Company will recognise as it provides services under those contracts. On initial recognition of a group of insurance contracts, if the total of (a) the fulfilment cash flows, (b) any cash flows arising at that date and (c) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group is a net inflow, then the group is not onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

Insurance contracts - Subsequent measurement

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims.

The liability for remaining coverage comprises:

- a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods; and
- b) any remaining CSM at that date.

The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk.

Changes in fulfilment cash flows are recognised as follows:

Changes relating to future services	Adjusted against the CSM (or recognised in the insurance service result in the statement of income if the group is onerous)
Changes relating to current or past services	Recognised in the insurance service result in statement of income
Effects of the time value of money, financial risk and changes therein on estimated future cash flows	Recognised as insurance finance income or expenses

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 IFRS 17 Insurance Contracts (continued)

3.2.1 Changes in accounting policies (continued):

n) Measurement - Contracts not measured under the PAA (continued):

Insurance contracts - Subsequent measurement (continued)

The CSM of each group of contracts is calculated at each reporting date as follows:

Insurance contracts without direct participation features:

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- interest accreted on the carrying amount of the CSM during the year, measured at the discount rates on nominal cash flows that do not vary based on the returns on any underlying items determined on initial recognition;
- changes in fulfilment cash flows that relate to future services, except to the extent that: any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognised as a loss in profit or loss and creates a loss component; or
- any decreases in the fulfilment cash flows are allocated to the loss component, reversing losses previously recognised in profit or loss;
- the amount recognised as insurance revenue because of the services provided in the year.

Changes in fulfilment cash flows that relate to future services comprise:

- experience adjustments arising from premiums received in the year that relate to future services and related cash flows, measured at the discount rates determined on initial recognition;
- changes in estimates of the present value of future cash flows in the liability for remaining coverage, measured at the discount rates determined on initial recognition, except for those that arise from the effects of the time value of money, financial risk and changes therein;
- differences between (a) any investment component expected to become payable in the year, determined as the payment expected at the start of the year plus any insurance finance income or expenses related to that expected payment before it becomes payable; and (b) the actual amount that becomes payable in the year;
- changes in the risk adjustment for non-financial risk that relate to future services.

Direct participating contracts:

Direct participating contracts are contracts under which the Company's obligation to the policyholder is the net of:

- the obligation to pay the policyholder an amount equal to the fair value of the underlying items; and
- a variable fee in exchange for future services provided by the contracts, being the amount of the Company's share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns on underlying items. The Company provides investment services under these contracts by promising an investment return based on underlying items, in addition to insurance coverage.

When measuring a group of direct participating contracts, the Company adjusts the fulfilment cash flows for the whole of the changes in the obligation to pay policyholders an amount equal to the fair value of the underlying items. These changes do not relate to future services and are recognised in profit or loss. The Company then adjusts any CSM for changes in the amount of the Company's share of the fair value of the underlying items, which relate to future services, as explained below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 IFRS 17 Insurance Contracts (continued)

3.2.1 Changes in accounting policies (continued):

n) Measurement - Contracts not measured under the PAA (continued):

Insurance contracts - Subsequent measurement (continued)

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- the change in the amount of the Company's share of the fair value of the underlying items and changes in fulfilment cash flows that relate to future services, except to the extent that:
 - decrease in the amount of the Company's share of the fair value of the underlying items, or an increase in the fulfilment cash flows that relate to future services, exceeds the carrying amount of the CSM, giving rise to a loss in profit or loss (included in insurance service expenses) and creating a loss component; or
 - an increase in the amount of the Company's share of the fair value of the underlying items, or a decrease in the fulfilment cash flows that relate to future services, is allocated to the loss component, reversing losses previously recognised in profit or loss (included in insurance service expenses);
- the amount recognised as insurance revenue because of the services provided in the year

Changes in fulfilment cash flows that relate to future services include the changes relating to future services specified above for contracts without direct participation features (measured at current discount rates) and changes in the effect of the time value of money and financial risks that do not arise from underlying items - e.g. the effect of financial guarantees.

Reinsurance contracts

To measure a group of reinsurance contracts, the Company applies the same accounting policies as are applied to insurance contracts without direct participation features, with the following modifications.

The carrying amount of a group of reinsurance contracts at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods and (b) any remaining CSM at that date.

The Company measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cashflows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

The risk adjustment for non-financial risk is the amount of risk being transferred by the Company to the reinsurer. The Company recognises both day 1 gains and day 1 losses at initial recognition in the statement of financial position as a CSM and releases this to profit or loss as the reinsurer renders services, except for any portion of a day one loss that relates to events before initial recognition.

Changes in the fulfilment cash flows are recognised in profit or loss if the related changes arising from the underlying ceded contracts have been recognised in profit or loss. Alternatively, changes in the fulfilment cash flows adjust the CSM.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 IFRS 17 Insurance Contracts (continued)

3.2.1 Changes in accounting policies (continued):

n) Measurement - Contracts not measured under the PAA (continued):

Reinsurance contracts (continued)

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- interest accreted on the carrying amount of the CSM during the year, measured at the discount rates on nominal cash flows that do not vary based on the returns on any underlying items determined on initial recognition;
- income recognised in profit or loss in the year on initial recognition of onerous underlying contracts;
- reversals of a loss-recovery component to the extent that they are not changes in the fulfilment cash flows of the group of reinsurance contracts;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless they result from changes in fulfilment cash flows of onerous underlying contracts, in which case they are recognised in profit or loss and create or adjust a loss-recovery component;
- the amount recognised in profit or loss because of the services received in the year.

Reinsurance of onerous underlying insurance contracts:

The Company adjusts the CSM of the group to which a reinsurance contract belongs and as a result recognises income when it recognises a loss on initial recognition of onerous underlying contracts, if the reinsurance contract is entered into before or at the same time as the onerous underlying contracts are recognised. The adjustment to the CSM is determined by multiplying:

- the amount of the loss that relates to the underlying contracts; and
- the percentage of claims on the underlying contracts that the Company expects to recover from the reinsurance contracts.

A loss-recovery component is created or adjusted for the group of reinsurance contracts to depict the adjustment to the CSM, which determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid.

o) Measurement - Contracts measured under the PAA

For the products in non-life portfolio and life (Group Life / Group Credit Life), the Company uses the PAA to simplify the measurement of groups of contracts when the following criteria are met at inception.

Insurance contracts:

The coverage period of each contract in the group is one year or less. Some of these contracts provide compensation for the cost of rebuilding or repairing a property after a fire; for these contracts, the Group determines the insured event to be the occurrence of a fire and the coverage period to be the period in which a fire can occur for which a policyholder can make a valid claim.

Loss-occurring reinsurance contracts:

The coverage period of each contract in the group is one year or less.

Risk-attaching reinsurance contracts:

The Company reasonably expects that the resulting measurement of the asset for remaining coverage would not differ materially from the result of applying the accounting policies in these condensed interim financial statements. When comparing the different possible measurements, the Company considers the impact of the different release patterns of the asset for remaining coverage to profit or loss and the impact of the time value of money. If significant variability is expected in the fulfilment cash flows during the period before a claim is incurred, then this criterion is not met.

However, certain groups of insurance contracts are acquired in their claims settlement period. The claims from some of these groups are expected to develop over more than one year. The Company measures these groups under the accounting policies disclosed in these condensed interim financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 IFRS 17 Insurance Contracts (continued)

3.2.1 Changes in accounting policies (continued):

o) Measurement - Contracts measured under the PAA (continued)

Insurance contracts

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition minus any insurance acquisition cash flows allocated to the group at that date and adjusted for any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the Company. The Company has chosen not to expense insurance acquisition cash flows when they are incurred.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and the amortisation of insurance acquisition cash flows recognised as expenses and decreased by the amount recognised as insurance revenue for services provided and any additional insurance acquisition cash flows allocated after initial recognition. On initial recognition of each group of contracts, the Company expects that the time between providing each part of the services and the related premium is more than a year in certain cases. The Company has determined the impact of adjusting the liability for remaining coverage to reflect the time value of money and the effect of financial risk is immaterial.

If at any time during the coverage period, facts and circumstances indicate that a group of contract is onerous, then the Company recognises a loss in profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows are discounted (at current rates) if the liability for incurred claims is also discounted.

The Company recognises the liability for incurred claims of a group of insurance contracts at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows are discounted (at current rates) unless they are expected to be paid in one year or less from the date the claims are incurred.

Reinsurance contracts

The Company applies the same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect features that differ from those of insurance contracts. If a loss-recovery component is created for a group of reinsurance contracts measured under the PAA, then the Company adjusts the carrying amount of the asset for remaining coverage instead of adjusting the CSM.

p) Derecognition & Contract modification

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired); or
- The contract is modified such that the modification results in a change in the measurement model, or the applicable standard for measuring a component of the contract. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

On derecognition of a contract from within a group of contracts not measured under the PAA:

- the fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations.
- the CSM of the group is adjusted for the change in the fulfilment cash flows, except where such changes are allocated to a loss component; and
- the number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognised from the group.

If a contract is derecognised because it is transferred to a third party, then the CSM is also adjusted for the premium charged by the third party, unless the group is onerous.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 IFRS 17 Insurance Contracts (continued)

3.2.1 Changes in accounting policies (continued):

p) Derecognition & Contract modification (continued)

If a contract is derecognised because its terms are modified, then the CSM is also adjusted for the premium that would have been charged had the Company entered into a contract with the new contract's terms at the date of modification, less any additional premium charged for the new contract's terms at the date of modification, less any additional premium charged for the modification. The new contract recognised is measured assuming that, at the date of modification, the Company received the premium that it would have charged less any additional premium charged for the modification.

q) Presentation

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. Any assets or liabilities derecognised for cash flows arising before the recognition of the related group of contracts are included in the carrying amount of the related portfolios of contracts.

The Company disaggregates amounts derecognised in the statement of income into (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses.

Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a Gross basis.

The Company does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

Insurance revenue

Insurance revenue and insurance service expenses exclude any investment components and are recognised as follows:

The Company's insurance revenue depicts the provision of coverage and other services arising from a group of insurance contracts at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. Insurance revenue from a group of insurance contracts is therefore the relevant portion for the period of the total consideration for the contracts, (i.e., the amount of premiums paid to the Company adjusted for financing effect (the time value of money) and excluding any distinct investment components). The total consideration for a group of contracts covers amounts related to the provision of services and is comprised of:

- Insurance service expenses, excluding any amounts allocated to the loss component of the liability for remaining coverage;
- The risk adjustment for non-financial risk, excluding any amounts allocated to the loss component of the liability for remaining coverage;
- The CSM release; and
- Amounts related to insurance acquisition cash flows.

Release of the CSM

The amount of the CSM of a group of insurance contracts that is recognised as insurance revenue in each year is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 IFRS 17 Insurance Contracts (continued)

3.2.1 Changes in accounting policies (continued):

q) Presentation (continued):

Release of the CSM (continued)

Services provided by insurance contracts include insurance coverage and, for all direct participating contracts, investment services for managing underlying items on behalf of policyholders. In addition, protection and savings contracts may also provide investment services for generating an investment return for the policyholder, but only if:

- an investment component exists or the policyholder has a right to withdraw an amount (e.g. the policyholder's right to receive a surrender value on cancellation of a contract);
- the investment component or withdrawal amount is expected to include an investment return; and
- the Company expects to perform investment activities to generate that investment return. The expected coverage period reflects expectations of lapses and cancellations of contracts, as well as the likelihood of insured events occurring to the extent that they would affect the expected coverage period. The period of investment services ends no later than the date on which all amounts due to current policyholders relating to those services have been paid.

Insurance revenue - Contracts measured under the PAA

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing services in the period. The Company allocates the expected premium receipts to each period on the basis of passage of time

Loss components

The Company has grouped contracts that are onerous at initial recognition separately from contracts in the same portfolio that are not onerous at initial recognition. Groups that were not onerous at initial recognition can also subsequently become onerous if assumptions and experience changes. The Company has established a loss component of the liability for remaining coverage for any onerous group depicting the future losses recognised.

A loss component represents a notional record of the losses attributable to each group of onerous insurance contracts (or contracts profitable at inception that have become onerous). The loss component is released based on a systematic allocation of the subsequent changes in the fulfilment cash flows to: (i) the loss component; and (ii) the liability for remaining coverage excluding the loss component. The loss component is also updated for subsequent changes in estimates of the fulfilment cash flows related to future service. The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of a group of contracts (since the loss component will have been materialised in the form of incurred claims). The Company uses the proportion on initial recognition to determine the systematic allocation of subsequent changes in future cash flows between the loss component and the liability for remaining coverage excluding the loss component.

Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They exclude repayments of investment components and comprise the following items:

- Incurred claims and other insurance service expenses: for some life risk contracts, incurred claims also include premiums waived on detection of critical illness.
- Amortisation of insurance acquisition cash flows: For contracts not measured under the PAA, this is equal to the amount of insurance revenue recognised in the year that relates to recovering insurance acquisition cash flows. For contracts measured under the PAA, the Company amortises insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts.
- Losses on onerous contracts and reversals of such losses.
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 IFRS 17 Insurance Contracts (continued)

3.2.1 Changes in accounting policies (continued):

q) Presentation (continued):

Income / expenses from reinsurance contracts

The Company presents separately on the face of the statement of income the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of income.

The Company recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts. For contracts not measured under the PAA, the allocation of reinsurance premiums paid relating to services received for each period represents the total of the changes in the asset for remaining coverage that relate to services for which the Company expects to pay consideration.

For contracts measured under the PAA, the allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period.

- on recognition of onerous underlying contracts, if the reinsurance contract covering those contracts is entered into before or at the same time as those contracts are recognised; and
- for changes in fulfilment cash flows of the group of reinsurance contracts relating to future services that result from changes in fulfilment cash flows of the onerous underlying contracts.

The loss-recovery component determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid. It is adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Group expects to recover from the reinsurance contracts.

Insurance finance income and expenses

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk and changes therein, unless any such changes for groups of direct participating contracts are allocated to a loss component and included in insurance service expenses. They include changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals).

The Company records insurance finance income or expenses on insurance contracts issued for its Protection and savings business (Individual unit linked) in profit or loss. The Company's financial assets backing the insurance issued portfolios are predominantly measured at fair value.

Incremental contract costs

Commissions and fees paid to brokers for securing new customers are generally recognised as assets ('contract costs'), unless the Group does not expect to recover these costs. Contract costs are amortised over the estimated duration of the contracts on a straight-line basis and are reviewed for impairment regularly. They are included in 'other assets' in the statement of financial position and the amortisation and any impairment losses thereon are included in 'other operating expenses' in profit or loss.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 IFRS 17 Insurance Contracts (continued)

3.2.2 Changes to classification, recognition and measurement

The measurement principles of PAA and VFA differ from the approaches used by the Company under IFRS 4 in the following key areas:

- **Deferral of acquisition costs** – Under IFRS 17, insurance acquisition cash flows are costs directly attributable to selling or underwriting a portfolio of insurance contracts. The Company has elected to capitalise and amortise these costs over the coverage period.
- **Discount rate** – Under IFRS 17, the liability for incurred claims is discounted at a rate that reflects the characteristics of the liabilities and the duration of each portfolio. The Company has established discount yield curves using risk-free rates adjusted to reflect the appropriate illiquidity characteristics of the applicable insurance contracts. Under IFRS 4, claims liabilities were not considered in terms of time value of money. Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of services are more than 12 months apart.
- **Risk Adjustment** - Under IFRS 17, the liability for incurred claims includes an explicit risk adjustment for non-financial risk (“risk adjustment”) which replaces the risk margin under IFRS 4. The IFRS 4 risk margin reflected the inherent uncertainty in the net claim liabilities estimates, whereas the IFRS 17 risk adjustment is the compensation required for bearing the uncertainty that arises from non-financial risk. Similar to the risk margin, the risk adjustment includes the benefit of diversification, therefore the two methodologies are fairly aligned. As a result, the changes in methodology did not have a significant impact on transition.
- **Onerous contracts** – IFRS 17 requires the identification of groups of onerous contracts at a more granular level than the liability adequacy test performed under IFRS 4. For onerous contracts, the loss component based on projected profitability is recognized immediately in net income, resulting in earlier recognition compared to IFRS 4.
- **Contractual Service Margin** - The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year based on the number of coverage units provided in the year, which is determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date (see also note 3.2.1(j)).

3.2.3 Changes to presentation and disclosure

Statement of financial position

Presentation is driven by portfolios which are composed of groups of contracts covering similar risks and which are managed together. Portfolios of insurance and reinsurance contracts are presented separately between:

- Portfolios of insurance and reinsurance contracts issued that are assets;
- Portfolios of insurance and reinsurance contracts issued that are liabilities;
- Portfolios of reinsurance contracts held that are assets; and
- Portfolios of reinsurance contracts held that are liabilities.

Line items under IFRS 17	Line items under IFRS 4, now combined under one line item under IFRS 17
Insurance contract liabilities	<ul style="list-style-type: none"> - Premiums receivable, net - Deferred policy acquisition cost - Unearned premiums - Outstanding claims - Claims incurred but not reported - Premium deficiency reserve - Due to policyholders, agents and claimants - Surplus relating to insurance operations
Reinsurance contract assets	<ul style="list-style-type: none"> - Reinsurer’s share of unearned premium - Reinsurer’s share of outstanding claims - Reinsurer’s share of claims incurred but not reported - Unearned reinsurance commission - Due from reinsurers - Reinsurance balance payable

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 IFRS 17 Insurance Contracts (continued)

3.2.3 Changes to presentation and disclosure (continued)

Statements of income and comprehensive income

The line-item descriptions in the statement of income have been changed significantly compared to presentation in the latest annual financial statements prepared under IFRS 4.

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cashflows. In addition, investment components are no longer included in insurance revenue and insurance service expenses.

Insurance service expense under IFRS 17 includes gross claims paid, changes in outstanding claims, changes in incurred but not reported claims, changes in loss component, policy acquisition costs, attributable expenses and the impact of release in the risk adjustment. The changes in premium deficiency reserve are eliminated and instead changes in loss component is taken.

Net income / (expenses) from reinsurance contracts held under IFRS 17 includes reinsurance premium ceded, changes in reinsurer's share of unearned premiums, reinsurance commission earned, reinsurance share of paid claims, reinsurance share of outstanding claims, reinsurance share of changes in claims incurred but not reported, change in reinsurance accrual reserve, expected credit losses on reinsurance receivables and the impact of loss adjustment the risk adjustment for non-financial risk.

Insurance service results are presented without the impact of discount unwinding and changes in discount rates which are shown separately under net insurance financial results.

IFRS 17 resulted in presentation changes to IFRS 4's underwriting expenses since expenses are classified either as insurance acquisition cash flows and fulfilment cash flows within insurance service expense or as other expenses when they are not directly attributable to insurance contracts. As a result, a portion of expenses classified as underwriting expenses under IFRS 4 are now presented as other expenses under IFRS 17 in the line other operating expenses. The following previously reported line items are no longer disclosed: direct premiums written, net earned premiums, net claims incurred, and underwriting expenses.

3.2.4 Transition

On transition date, 1 January 2022, the Company:

- has identified, recognised and measured each group of insurance contracts as if IFRS 17 had always been applied (unless impracticable – refer to notes 3.2.4.2 and 3.2.4.3).
- derecognised any existing balances that would not exist had IFRS 17 always been applied.
- recognised any resulting net difference in equity.

3.2.4.1 Full retrospective approach

On transition to IFRS 17, the Company has applied the full retrospective approach unless impracticable. The Company has applied the full retrospective approach on transition to all contracts issued on or after 1 January 2019.

For certain groups of contracts, the modified retrospective approach (see note 3.2.4.2) and the fair value approach (see note 3.2.4.3) were applied.

3.2.4.2 Modified retrospective approach

The Company has applied the modified retrospective approach for certain groups of contracts in the individual life portfolio, as prior to transition, it grouped its contracts from multiple cohorts and years into a single unit for accounting purposes. The application of the full retrospective approach on transition for this portfolio was determined to be impracticable for the Company, as obtaining all required historical data for its individual life portfolio from the actuarial valuation reports was not possible. Therefore, the Company has used reasonable and supportable information from its existing reporting systems, which resulted in the closest outcome to the full retrospective approach.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 IFRS 17 Insurance Contracts (continued)

3.2.4 Transition (continued)

3.2.4.2 Modified retrospective approach (continued)

The Company has aggregated contracts issued more than one year apart for groups of contracts applying the modified retrospective approach at transition, as it did not have supportable information to aggregate contracts into groups including only contracts issued within one year.

The Company has elected to use the simplification in the modified retrospective approach for determining the CSM or loss component of the liability for remaining coverage at the transition date.

The Company has used the following procedure to determine the CSM at initial recognition for these contracts:

- Estimated future cash flows at the date of initial recognition as the amount of the future cash flows at transition date, adjusted by the cash flows that have occurred between the date of initial recognition and the transition date. The cash flows that are known to have occurred include cash flows resulting from contracts that ceased to exist before transition date.
- Estimated the risk adjustment for non-financial risk at the date of initial recognition by adjusting the risk adjustment at transition date by the expected release of risk in the periods before transition. The expected release of risk was determined with reference to the release of risk for similar contracts that the Company has issued subsequent to the transition date.

The CSM at transition date has been further determined by applying the amount of the CSM recognised in profit or loss because of the transfer of services before the transition date, by comparing the remaining coverage units at that date with the coverage units provided under the group of contracts before the transition date.

The Company has not elected to disaggregate insurance finance income or expense between amounts included in profit or loss and amounts included in other comprehensive income and reset the cumulative amount of insurance finance income or expense recognised in other comprehensive income at the transition date to zero.

3.2.4.3 Fair value approach

The Company has applied the fair value approach on transition for certain groups of acquired individual life contracts as, prior to transition, it grouped contracts from multiple cohorts and years into a single unit for accounting purposes. Obtaining reasonable and supportable information to apply the full retrospective approach was impracticable without undue cost or effort. The Company has determined the CSM of the liability for remaining coverage at the transition date, as the difference between the fair value of the group of insurance contracts and the fulfilment cash flows measured at that date. In determining fair value, the Company has applied the requirements of IFRS 13 Fair Value Measurement.

The Company has aggregated contracts issued more than one year apart in determining groups of insurance contracts under the fair value approach at transition as it did not have reasonable and supportable information to aggregate groups into those including only contracts issued within one year.

For the application of the fair value approach, the Company has used reasonable and supportable information available at the transition date in order to:

- Identify groups of insurance contracts;
- Determine whether any contracts are direct participating insurance contracts.

The discount rate for the group of contracts applying the fair value approach was determined at the transition date.

The Company has not elected to disaggregate insurance finance income or expenses between amounts included in profit or loss and amounts included in other comprehensive income and reset the cumulative amount of insurance finance income or expense recognised in other comprehensive income at the transition date to zero.

The Company used the income approach to fair value the insurance contracts at the transition date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 IFRS 17 Insurance Contracts (continued)

3.2.4 Transition (continued)

3.2.4.4 Transition impact

The Company has applied the transition provisions in IFRS 17. The effects of adopting IFRS 17 on the condensed interim financial statements at 1 January 2022 are presented in the condensed statement of changes in equity.

3.3 IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after 1 January 2018. However, the Company has met the relevant criteria and has applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. For transition to IFRS 9, the Company applied a retrospective approach to be in line with transition option adopted under IFRS 17. The nature of the changes in accounting policies can be summarised, as follows:

3.3.1 Changes in accounting policies:

3.3.1.1 Financial assets and liabilities:

i. Initial recognition

At initial recognition, the Company measures financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of financial asset. Transaction cost of financial assets carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss ("ECL") allowance is recognised for financial assets measured at amortised cost and investments measured at fair value through other comprehensive income ("FVOCI").

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

- a. When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (that is, a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- b. In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Amortised cost and effective interest rate

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective profit method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, contributions or discounts and fees and points paid or received that are integral to the effective profit rate, such as origination fees.

Interest income is recognised using the effective profit rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit impaired, profit income is recognised by applying the effective interest rate to the net carrying value of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 IFRS 9 Financial Instruments (continued)

3.3.1 Changes in accounting policies (continued):

3.3.1.1 Financial assets and liabilities (continued):

ii. Classification and subsequent measurement of financial assets

The Company classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVTPL);
- Fair value through Other Comprehensive Income (FVOCI)
- Held at amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Classification and subsequent measurement of debt instruments depend on:

- (i) the Company's business model for managing the financial assets; and
- (ii) the contractual cash flow characteristics of the financial assets.

Business model:

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the liquidity portfolio of assets, which is held by the Company as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVTPL.

Solely payments of principal and profit:

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and profit. In making this assessment, the Company considers whether the contractual cash flows are consistent with the financing agreement i.e. profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The Company exercises judgment in determining whether the contractual terms of financial assets it originates or acquires give rise on specific dates to cash flows that are solely payments of principal and profit income on the principal outstanding and so may qualify for amortised cost measurement. In making the assessment the Company considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

Amortised cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised. Profit income from these financial assets is included in 'Interest income' using the effective profit method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 IFRS 9 Financial Instruments (continued)

3.3.1 Changes in accounting policies (continued):

3.3.1.1 Financial assets and liabilities (continued):

ii. Classification and subsequent measurement of financial assets (continued)

Fair value through other comprehensive income (“FVOCI”):

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets’ cash flows represent solely payments of principal and profit, and that are not designated at FVTPL, are designated as FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, special interest income and foreign exchange gains and losses on the instrument’s amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Profit income from these financial assets is included in ‘Interest income’ using the effective profit method. Currently no debt instrument is classified as FVOCI.

Fair value through profit or loss (“FVTPL”):

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL presented in profit or loss in the period in which it arises. Currently investment in mutual funds and sukuk which failed Solely Payments of Principal and Interest (“SPPI”) assessment are classified as FVTPL.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are not expected to be frequent and no such instances have occurred during the nine-month period ended 30 September 2023.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer’s perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer’s net assets. Examples of equity instruments include basic ordinary shares.

The Company classifies all equity investments at FVTPL, except where the Company’s management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company’s policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, transaction costs are made part of the cost at initial recognition and subsequent fair value gains and losses (unrealized) are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. The Company has designated its investment in Najm for Insurance Services Company, a Saudi Closed Joint Stock Company, as FVOCI.

Dividends, when representing a return on such investments, continue to be recognized in the statement of income as ‘Dividend income’ when the Company’s right to receive payments is established. Currently all equity securities are designated as FVOCI.

Any gain or loss on the disposal of equity classified as FVOCI will be non- recycling i.e. on disposal, fair value movement residing in OCI will be moved directly from OCI to retained earnings.

3.3.1.2 Impairment of financial assets

The Company assesses on a forward-looking basis the ECL associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 IFRS 9 Financial Instruments (continued)

3.3.1 Changes in accounting policies (continued):

3.3.1.2 Impairment of financial assets (continued):

The Company applies the three-stage model for impairment of financial assets measured at amortised cost and FVOCI, based on changes in credit quality since initial recognition.

Stage 1 (“Performing”) includes financial assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these financial assets, 12-month expected credit losses (“ECL”) are recognised and financial income is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). A 12-month ECL is the ECL that results from default events that are possible within 12-months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset, weighted by the probability that the loss will occur in the next 12-months.

Stage 2 (“Under-performing”) includes financial assets that have had a significant increase in credit risk since initial recognition, but do not have objective evidence of impairment. A significant increase in credit risk is presumed if a receivable is more than 30 days past due. For these financial assets, lifetime ECL are recognised, but financial income is still calculated on the gross carrying amount of the asset. Lifetime ECL is the ECL that results from all possible default events over the maximum contractual period during which the Company is exposed to credit risk. ECL is the weighted average credit losses, with the respective risks of a default occurring as the weights.

Stage 3 (“Non-performing”) includes financial assets that have objective evidence of impairment at the reporting date. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due. For these financial assets, lifetime ECL are recognised and financial income is calculated on the net carrying amount (that is, net of credit allowance).

The Company, when determining whether the credit risk on a financial asset has increased significantly, considers reasonable and supportable information available (e.g. days past due, customer credit scoring etc.), in order to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial asset.

Financial assets are written-off only when there is no reasonable expectation of recovery.

Where financial assets are written-off, the Company continues to engage enforcement activities to attempt to recover the receivable due. Recoveries made, after write-off, are recognized in profit or loss.

Impairment losses on financial assets are presented separately on the statement of income.

3.3.1.3 Derecognition of financial assets

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of ownership, or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

The Company enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 IFRS 9 Financial Instruments (continued)

3.3.1.4 Classification and subsequent measurement of financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective profit method.

3.3.1.5 Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the statement of income.

3.3.2 Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets to be assessed based on a combination of the Company's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories for financial assets (FVTPL, available for sale (AFS), held-to-maturity (HTM) and loans and receivables (L&R) at amortised cost) have been replaced by:

- Financial assets at fair value through profit or loss, including equity instruments and derivatives;
- Debt instruments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition (not used by the Company); and
- Debt instruments at amortised cost.

IFRS 9 largely retains the requirements in IAS 39 for the classification and measurement of financial liabilities. However, under IAS 39 all fair value changes of financial liabilities designated as at FVTPL are recognised in the statement of income, whereas under IFRS 9 these fair value changes will generally be presented as follows:

- The amount of the change in the fair value that is attributable to changes in the credit risk of the liability will be presented in Other Comprehensive Income (OCI);
- The remaining amount of the change in the fair value is presented in the statement of income.

The Company has applied IFRS 9 retrospectively and restated comparative information for 2022 for financial instruments in the scope of IFRS 9. Differences arising from the adoption of IFRS 9 were recognised in retained earnings as of 1 January 2022. There is no impact expected on financial liabilities as a result of transition to IFRS 9.

3.3.3 Changes to the impairment calculation

Under IFRS 9, the Expected credit loss ("ECL") allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss); unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss.

Lifetime expected credit losses represent ECL that would result from all possible default events over the expected life of the financial asset whereas 12 month expected credit losses are those life expected credit losses expected to occur within 12 months of statement of financial position date. Both lifetime ECLs and 12-month ECLs will be calculated on an individual basis depending on the nature of the underlying portfolio of financial instruments.

ECL is computed based on the parameters namely Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) values. ECL is discounted to present value.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 IFRS 9 Financial Instruments (continued)

3.3.3 Changes to the impairment calculation (continued)

Probability of Default ('PD'): The probability of default is an estimate of the likelihood of default over a given time horizon.

Loss Given Default ('LGD'): Loss given default inputs are determined by class of financial instrument based on historical experience of loss and recovery rates for similar financial instruments and other relevant industry data.

Exposure at Default ('EAD'): The exposure at default is an estimate of the exposure at a future default date.

Forward looking estimate: While estimating the ECL, the Company will review macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Company will analyze the relationship between key economic trends with the estimate of PD.

IFRS 9 impairment applies to financial instruments that are not measured at Fair value through profit or loss (FVTPL). Equity instruments measured at FVOCI are also excluded from the purview of impairment.

Financial assets that are subject to impairment consist of investment portfolio (debt instruments) and cash and cash equivalents.

3.3.4 Transition disclosures

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- the determination of the business model within which a financial asset is held;
- the designation and revocation of previous designated financial assets and liabilities as measured at FVTPL. This category includes financial assets that were previously designated as held for trading or those that were classified as available for sale; and
- the designation of certain investments in equity instruments not held for trading as FVOCI.

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as at 1 January 2023 is, as follows:

Financial assets	Original classification under IAS 39	Original carrying amount under IAS 39 SAR'000	New classification under IFRS 9	New carrying amount under IFRS 9 SAR'000
Cash and cash equivalents	Loans and receivables	263,185	Amortised cost	263,179
Investments held to cover unit-linked liabilities	Available for Sale (AFS)	1,278,506	Fair value through profit or loss (FVTPL)	1,278,506
Sukuks	Held to Maturity (HTM)	510,549	Amortised cost	414,499
Investment in Mutual Funds	FVIS	89,897	FVTPL	95,780
Investment in quoted equity shares	FVIS	3,473	FVTPL	89,897
Investment in equity shares in Najm	FVIS	1,923	FVTPL	3,473
Statutory deposit	FVIS	1,923	FVOCI	39,703
Due from a related party	Loans and receivables	55,000	Amortised cost	54,991
Other assets	Loans and receivables	2,807	Amortised cost	2,807
	Loans and receivables	15,455	Amortised cost	15,453

Most of the financial assets that were classified as loan & receivables and held to maturity under IAS 39 continues to be measured at amortised costs under IFRS 9 since these form part of business model hold to collect contractual cash flows which are SPPL. Financial assets held for trading continue to be measured at fair value through profit or loss and as such there was no impact on transition. A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as of the date of transition i.e. 01 January 2022 is, as follows:

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 IFRS 9 Financial Instruments (continued)

3.3.4 Transition disclosures (continued)

Financial assets	Original classification under IAS 39	Original carrying amount under IAS 39 SAR'000	New classification under IFRS 9	New carrying amount under IFRS 9 SAR'000
Cash and cash equivalents	Loans and receivables	83,023	Amortised cost	83,021
Investments held to cover unit-linked liabilities	Available for sale (AFS)	1,524,882	Fair value through profit or loss (FVTPL)	1,524,882
Sukuks	Held to maturity (HTM)	466,815	Amortised cost	431,478
Investment in Mutual Funds	FVIS	150,388	FVTPL	35,368
Investment in quoted equity shares	FVIS	3,564	FVTPL	150,388
Investment in equity shares in Najm	FVIS	1,923	FVTPL	3,564
Statutory deposit	Loans and receivables	47,066	FVOCI	37,032
Due from a related party	Loans and receivables	60,788	Amortised cost	47,059
Other assets	Loans and receivables	7,077	Amortised cost	60,773
				7,075

The impact of transition to IFRS 9 on retained earnings is, as follows:

	1 January 2023 SAR'000	1 January 2022 SAR'000
Increase / (reduction) in the Company's total equity		
Classification and measurement of financial assets	(267)	31
Impairment of financial assets	(44)	(71)
Fair valuation of equity shares in Najm (refer note 6.2)	37,780	35,109
Impact of adoption of IFRS 9 before zakat and income tax	37,469	35,069

The impact on the profit and other comprehensive income for the nine-month period ended 30 September 2022 upon adoption of IFRS 9, is not material. Furthermore, the classification of financial liabilities has changed from 'Other financial liabilities at amortised cost' as per IAS 39 to 'amortised cost' as per IFRS 9, with no corresponding change in carrying value of such financial liabilities.

3.5 Critical accounting judgments, estimates and assumptions

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses, and the accompanying disclosures, and the disclosure of contingent liabilities. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

In preparing these condensed interim 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 2022 except for points (i) to (v) below, which changed upon adoption of IFRS 17 and IFRS 9.

Following are the accounting judgments and estimates that are critical in preparation of these condensed interim financial statements:

i. Estimates of future cash flows to fulfil insurance contracts

In estimating future cash flows, the Company incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experiences, updated to reflect current expectations of future events. The estimates of future cash flows reflect the Company's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Critical accounting judgments, estimates and assumptions (continued)

i. Estimates of future cash flows to fulfil insurance contracts (continued)

The estimates of these future cash flows are based on probability-weighted expected future cash flows. The Company estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Company uses information about past events, current conditions and forecasts of future conditions. The probability-weighted average of the future cash flows is calculated using a deterministic scenario representing the probability-weighted mean of a range of scenarios.

When estimating future cash flows, the Company takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted. The Company derives cost inflation assumptions from the difference between the yields on nominal and inflation-linked government bonds. Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Where estimates of expenses-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis. The Company has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature. Expenses of an administrative policy maintenance nature are allocated to groups of contracts based on the number of contracts in force within groups. The Company performs regular expense studies to determine the extent to which fixed and variable overheads are directly attributable to fulfill the insurance contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include claims handling, maintenance and administration costs, and recurring commissions payable on instalment premiums receivable within the contract boundary. Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads. Cash flows are attributed to acquisition activities, other fulfilment activities and other activities at local entity level using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics. Other costs are recognised in profit or loss as they are incurred.

ii. Discounting methodology

All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. The Company generally determines the risk-free rates using EIOPA rates denominated in USD and adjusted for the country risk premium. The yield curve is interpolated between the last available market data point and an ultimate forward rate, which reflects long-term real interest rate and inflation expectations.

Cash flows that vary based on the returns on any financial underlying items are adjusted for the effect of that variability using risk-neutral measurement techniques and discounted using the risk-free rates as adjusted for illiquidity. (Also see note 3.2.1)

iii. Risk adjustment for non-financial risks

Risk adjustments for non-financial risk are determined to reflect the compensation that the individual issuing entity would require for bearing non-financial risk, separately for the non-life and other contracts, and are allocated to groups of contracts based on an analysis of the risk profiles of the groups. Risk adjustments for non-financial risk reflect the diversification benefits from contracts issued by the entity, in a way that is consistent with the compensation that it would require and that reflects its degree of risk aversion, and the effects of the diversification benefits are determined using a correlation matrix technique. (Also see note 3.2.1)

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Critical accounting judgments, estimates and assumptions (continued)

iii. Risk adjustment for non-financial risks (continued)

The risk adjustments for non-financial risk are determined using the following techniques:

- non-life contracts and group life contracts: Stochastic - Bornheutter Ferguson Method and Mack Lognormal Method; and
- life and participating contracts: Solvency II Stress Scenarios.

To determine the risk adjustments for non-financial risk for reinsurance contracts, the Company applies these techniques both gross and net of reinsurance and derives the amount of risk being transferred to the reinsurer as the difference between the two results.

iv. Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses its judgement to select a variety of methods and to make assumptions that are mainly based on market conditions existing at the end of each reporting period.

v. Contractual Service Margin (CSM):

The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year based on the number of coverage units provided in the year, which is determined by considering for each contract the quantity of the benefits provided and its expected coverage period (also see notes 3.2.1 (j) and 3.2.2).

4. CASH AND CASH EQUIVALENTS

	<i>30 September 2023 (Unaudited)</i>			<i>31 December 2022 (Unaudited)</i>		
	<i>Insurance operations SAR'000</i>	<i>Shareholders' Operations SAR'000</i>	<i>Total SAR'000</i>	<i>Insurance operations SAR'000</i>	<i>Shareholders' operations SAR'000</i>	<i>Total SAR'000</i>
Cash in hand	--	--	--	30	--	30
Cash at banks	50,621	13,241	63,862	184,609	78,546	263,155
Short term deposits	57,782	--	57,782	--	--	--
	<u>108,403</u>	<u>13,241</u>	<u>121,644</u>	<u>184,639</u>	<u>78,546</u>	<u>263,185</u>
Less: allowance for expected credit loss	--	(3)	(3)	--	(6)	(6)
Total	<u>108,403</u>	<u>13,238</u>	<u>121,641</u>	<u>184,639</u>	<u>78,540</u>	<u>263,179</u>

Cash and cash equivalents include the amount of SAR 59,900 thousand (31 December 2022: SAR 214,618 thousand) held with Bank AlJazira "the founding shareholder".

Short term deposits represent deposits with Bank AlJazira "the founding shareholder" that have an original maturity of less than 90 days and carry commission at an average rate of 5.3% to 5.4% per annum. During the current period, the Company recorded commission income from short term deposits amounting to SAR 7.1 million (31 December 2022: Nil).

5. INVESTMENTS HELD TO COVER UNIT-LINKED LIABILITIES

Investments held to cover unit-linked liabilities are classified as FVTPL investments. Investment of Insurance operations comprises of units of mutual funds denominated in Saudi Arabian Riyals (SAR) and United States Dollars (USD) managed by AlJazira Capital "the founding shareholder".

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

5. INVESTMENTS HELD TO COVER UNIT-LINKED LIABILITIES (continued)

Insurance Operations	Denomination	30 September 2023 (Unaudited) SAR'000	31 December 2022 (Unaudited) SAR'000
AlJazira Saudi Equities Fund	SAR	402,824	337,672
AlJazira Diversified Aggressive Fund	SAR	251,496	211,504
AlJazira International Equities Fund	USD	193,675	181,837
AlJazira Japanese Equities Fund	USD	162,372	160,572
AlJazira European Equities Fund	USD	150,802	151,413
AlJazira Saudi Riyal Murabaha Fund	SAR	147,137	148,585
AlJazira Diversified Balanced Fund	SAR	73,866	65,521
AlJazira Diversified Conservative Fund	SAR	25,353	21,402
Total		1,407,525	1,278,506

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

	Nine-month period ended 30 September 2023 (Unaudited) SAR'000	Year ended 31 December 2022 (Unaudited) SAR'000
Balance at the beginning of the period / year	1,278,506	1,524,882
Redemptions during the period / year, net	(45,685)	(47,540)
Changes in fair value during the period / year	174,704	(198,836)
Balance at the end of the period / year	1,407,525	1,278,506

6. INVESTMENTS

	30 September 2023 (Unaudited)			31 December 2022 (Unaudited)		
	Insurance operations (Unaudited) SAR'000	Shareholders' operations (Unaudited) SAR'000	Total (Unaudited) SAR'000	Insurance operations (Unaudited) SAR'000	Shareholders' operations (Unaudited) SAR'000	Total (Unaudited) SAR'000
Investments held at FVTPL (note 6.1)						
Mutual funds	16,941	9,299	26,240	56,394	33,503	89,897
Equity shares – quoted	--	--	--	--	3,473	3,473
Tier 1 Sukuks	102,185	147,894	250,079	--	95,780	95,780
	119,126	157,193	276,319	56,394	132,756	189,150
Investment held at FVOCI (note 6.2)						
Equity shares in Najm	--	39,703	39,703	--	39,703	39,703
Investments held at amortised cost (note 6.3)						
Sukuks	--	401,739	401,739	--	414,499	414,499
Murabaha deposits	--	100,000	100,000	--	--	--
Less: allowance for expected credit loss	--	(23)	(23)	--	(30)	(30)
	--	501,716	501,716	--	414,469	414,469

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

6. INVESTMENTS (continued)

6.1 Investments held at fair value through profit or loss:

The fair value through profit or loss investments represents investments in mutual funds managed by 'AlJazira Capital', a founding shareholder, investment in quoted equity shares and investment in corporate sukuku which failed SPPI assessment. Movement in FVTPL investments during the period / year ended is as follows:

30 September 2023 (Unaudited)

	<i>Insurance operations SAR'000</i>	<i>Shareholders' Operations SAR'000</i>	<i>Total SAR'000</i>
Balance at beginning of the period	56,394	132,756	189,150
Purchased during the period	100,500	49,500	150,000
Disposals during the period	(40,411)	(29,057)	(69,468)
Fair value movement	2,643	3,994	6,637
Balance at the end of the period	119,126	157,193	276,319

31 December 2022 (Unaudited)

	<i>Insurance operations SAR'000</i>	<i>Shareholders' operations SAR'000</i>	<i>Total SAR'000</i>
Balance at beginning of the year	119,459	69,875	189,334
Purchases during the year	35,000	191,602	226,602
Disposals during the year	(99,875)	(129,816)	(229,691)
Fair value movement	1,810	1,095	2,905
Balance at the end of the year	56,394	132,756	189,150

6.2 Investments held at fair value other comprehensive income (FVOCI):

This represents the Company's holding of 3.45% (31 December 2022: 3.45%) in Najm for Insurance Services Company, a Saudi Closed Joint Stock Company. These shares are un-quoted and are carried at fair value. The Company has determined the fair value of its investment in Najm to be SAR 37 million at as 31 December 2021 and SAR 39.7 million as at 31 December 2022 based on the valuation exercise performed by an independent valuer. This investment was previously carried at initial cost of SAR 1.9 million until 31 December 2021 under IAS 39. Accordingly, the required adjustments to bring the carrying value of such investment to its fair value, in accordance with the requirements of IFRS 9 have been recorded in the opening equity as of 1 January 2022 and 31 December 2022. Based on the management's assessment, there is no significant change in fair value of its investment in Najm during the period ended 30 September 2023.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

6. INVESTMENTS (continued)

6.3 Investments held at amortised cost:

6.3.1 Investments held at amortised cost represent sukuks with a maturity of 12 to 30 years. The average coupon rate on these sukuks ranges between 1.83% to 5.65% per annum (31 December 2022: 1.83% to 5.65%).

The movement in the investments held at amortised cost for the period / year ended 30 September 2023 and 31 December 2022 is as follows:

	<i>30 September 2023 (Unaudited)</i>		
	<i>Insurance operations SAR'000</i>	<i>Shareholders' operations SAR'000</i>	<i>Total SAR'000</i>
Balance at the beginning of the period	--	414,499	414,499
Investments matured during the period	--	(9,903)	(9,903)
Commission income during the period	--	8,468	8,468
Commission received during the period	--	(11,325)	(11,325)
Balance at the end of the period – gross	--	401,739	401,739
Less: allowance for expected credit loss	--	(23)	(23)
Balance at the end of the period – net	--	401,716	401,716
	<i>31 December 2022 (Unaudited)</i>		
	<i>Insurance operations SAR'000</i>	<i>Shareholders' operations SAR'000</i>	<i>Total SAR'000</i>
Balance at the beginning of the year	--	431,478	431,478
Investments matured during the year	--	(16,386)	(16,386)
Commission income during the year	--	11,476	11,476
Commission received during the year	--	(12,069)	(12,069)
Balance at the end of the year	--	414,499	414,499
less: allowance for expected credit loss	--	(30)	(30)
Balance at the end of the period – net	--	414,469	414,469

6.3.2. Investments held at amortised cost also represent Murabaha deposit of SAR 100 million (31 December 2022: Nil) with a maturity period of more than 90 days and carry commission at the rate of 6.2% per annum (31 December 2022: Nil). During the current period, the Company recorded commission income from Murabaha deposit amounting to SAR 1.6 million (31 December 2022: Nil).

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

7. INSURANCE AND REINSURANCE CONTRACTS

7.1 Composition of statement of financial position

An analysis of the amounts presented on the condensed statement of financial position for insurance contracts and reinsurance contracts has been included in the table below:

	Non-life	Individual life	Group life	Total
	SAR'000			
30 September 2023 (Unaudited)				
Insurance contracts:				
Insurance contract liabilities (see below notes)	194,345	1,400,805	46,422	1,641,572
Reinsurance contracts:				
Reinsurance contract assets (see below notes)	(16,511)	(102)	(21,052)	(37,665)
Reinsurance contract liabilities (see below notes)	--	--	--	--
	Non-life	Individual life	Group life	Total
	SAR'000			
31 December 2022 (Unaudited)				
Insurance contracts:				
Insurance contract liabilities (see below notes)	208,292	1,267,340	31,610	1,507,242
Reinsurance contracts:				
Reinsurance contract assets (see below notes)	(22,489)	--	(11,522)	(34,011)
Reinsurance contract liabilities (see below notes)	--	4,746	--	4,746

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

7. INSURANCE AND REINSURANCE CONTRACTS (continued)

7.2 Movements in insurance and reinsurance contract balances

7.2.1 Non-life insurance contracts:

Analysis by remaining coverage and incurred claims – Contracts measured under the PAA:

	Non-life				
	As at 30 September 2023 (Unaudited)				
	Liability for remaining coverage (LRC)		Liability for incurred claims (LIC)		Total
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non-financial risk	
	SAR'000				
Insurance contracts					
Insurance contract liabilities – opening	78,389	17,481	107,458	4,964	208,292
Insurance contract assets – opening	--	--	--	--	--
Opening balance – net (unaudited)	78,389	17,481	107,458	4,964	208,292
<u>Changes in the statement of income</u>					
Insurance revenue (note 8)	(157,591)	--	--	--	(157,591)
Insurance service expenses					
Incurred claims and other directly attributable expenses (note 8)	--	--	134,695	252	134,947
Insurance acquisition cashflows amortization (note 8)	19,426	--	--	--	19,426
Reversals of losses on onerous contracts (note 8)	--	(14,950)	--	--	(14,950)
Changes that relate to past service - adjustments to the LIC (note 8)	--	--	(9,008)	(385)	(9,393)
Insurance service expenses	19,426	(14,950)	125,687	(133)	130,030
Finance expense from insurance contracts (note 9)	--	--	2,109	109	2,218
Total changes in the statement of income	(138,165)	(14,950)	127,796	(24)	(25,343)
Cashflows					
Premiums received	147,319	--	--	--	147,319
Claims and other directly attributable expenses paid	--	--	(116,497)	--	(116,497)
Insurance acquisition cashflows paid	(19,426)	--	--	--	(19,426)
Total cash inflows / (outflows)	127,893	--	(116,497)	--	11,396
Net closing balance	68,117	2,531	118,757	4,940	194,345
Insurance contract liabilities – closing	68,117	2,531	118,757	4,940	194,345
Insurance contract assets – closing	--	--	--	--	--
Closing balance – net (unaudited)	68,117	2,531	118,757	4,940	194,345

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

7. INSURANCE AND REINSURANCE CONTRACTS (continued)

7.2 Movements in insurance and reinsurance contract balances (continued)

7.2.1 Non-life insurance contracts (continued):

Analysis by remaining coverage and incurred claims – Contracts measured under the PAA:

	Non-life				
	As at 31 December 2022 (Unaudited)				
	Liability for remaining coverage		Liability for incurred claims		Total
	Excluding loss component	Loss component	Estimates of present value of FCF of SAR '000	Risk adjustment for non-financial risk	
<u>Insurance contracts</u>					
Insurance contract liabilities – opening	23,065	--	113,134	4,685	140,884
Insurance contract assets – opening	--	--	--	--	--
Opening balance – net (unaudited)	23,065	--	113,134	4,685	140,884
<u>Changes in the statement of income</u>					
Insurance revenue	(124,282)	--	--	--	(124,282)
Insurance service expenses					
Incurred claims and other directly attributable expenses	--	--	122,614	2,151	124,765
Insurance acquisition cashflows amortization	11,146	--	--	--	11,146
Losses on onerous contracts	--	17,481	--	--	17,481
Changes that relate to past service - adjustments to the LIC	--	--	(18,940)	(1,911)	(20,851)
Insurance service expenses	11,146	17,481	103,674	240	132,541
Finance expense from insurance contracts	--	--	948	39	987
Total changes in the statement of income	(113,136)	17,481	104,622	279	9,246
Cashflows:					
Premiums received	179,606	--	--	--	179,606
Claims and other directly attributable expenses paid	--	--	(110,298)	--	(110,298)
Insurance acquisition cashflows paid	(11,146)	--	--	--	(11,146)
Total cash inflows / (outflows)	168,460	--	(110,298)	--	58,162
Net closing balance	78,389	17,481	107,458	4,964	208,292
Insurance contract liabilities – closing	78,389	17,481	107,458	4,964	208,292
Insurance contract assets – closing	--	--	--	--	--
Closing balance – net (unaudited)	78,389	17,481	107,458	4,964	208,292

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

7. INSURANCE AND REINSURANCE CONTRACTS (continued)

7.2 Movements in insurance and reinsurance contract balances (continued)

7.2.2 Non-life reinsurance contracts:

Analysis by remaining coverage and incurred claims – Contracts measured under the PAA:

	<u>Non-life</u>				
	<u>As at 30 September 2023 (Unaudited)</u>				
	<u>Asset for remaining coverage</u>		<u>Asset for incurred claims</u>		<u>Total</u>
	<u>Excluding loss recovery component</u>	<u>Loss recovery component</u>	<u>Estimates of present value of FCF</u>	<u>Risk adjustment for non-financial risk</u>	
	<u>SAR'000</u>				
Reinsurance contracts					
Reinsurance contract assets – opening	(5,646)	(62)	(15,803)	(978)	(22,489)
Reinsurance contract liabilities – opening	--	--	--	--	--
Opening balance – net (unaudited)	(5,646)	(62)	(15,803)	(978)	(22,489)
<u>Changes in the statement of income</u>					
Allocation of reinsurance premium paid	14,039	--	--	--	14,039
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expenses	--	--	(2,439)	879	(1,560)
Recoveries and reversals of recoveries of losses on onerous underlying contracts	--	62	--	--	62
Changes that relate to past service – adjustments to the LIC	--	--	2,480	(960)	1,520
Amounts recoverable from reinsurers – net	--	62	41	(81)	22
Finance income from reinsurance contracts (note 9)	--	--	(166)	--	(166)
Total changes in the statement of income	14,039	62	(125)	(81)	13,895
Cashflows					
Premiums ceded and acquisition cashflows paid	(8,197)	--	--	--	(8,197)
Recoveries from reinsurance	--	--	280	--	280
Total cash (outflows) / inflows	(8,197)	--	280	--	(7,917)
Net closing balance	196	--	(15,648)	(1,059)	(16,511)
Reinsurance contract assets – closing	--	--	(15,648)	(1,059)	(16,707)
Reinsurance contract liabilities – closing	196	--	--	--	196
Closing balance – net (unaudited)	196	--	(15,648)	(1,059)	(16,511)

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

7. INSURANCE AND REINSURANCE CONTRACTS (continued)

7.2 Movements in insurance and reinsurance contract balances (continued)

7.2.2 Non-life reinsurance contracts (continued):

Analysis by remaining coverage and incurred claims – Contracts measured under the PAA:

	Non-life				
	As at 31 December 2022 (Unaudited)				
	Asset for remaining coverage		Asset for incurred claims		Total
	Excluding loss recovery component	Loss recovery component	Estimates of present value of FCF	Risk adjustment for non-financial risk	
	SAR '000				
<u>Reinsurance contracts</u>					
Reinsurance contract assets – opening	(4,371)	--	(22,949)	(978)	(28,298)
Reinsurance contract liabilities – opening	--	--	--	--	--
Opening balance – net (unaudited)	(4,371)	--	(22,949)	(978)	(28,298)
<u>Changes in the statement of income</u>					
Allocation of reinsurance premium paid	16,132	--	--	--	16,132
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expenses	--	--	(4,177)	--	(4,177)
Recoveries and reversals of recoveries of losses on onerous underlying contracts	--	(62)	--	--	(62)
Changes that relate to past service – adjustments to the LIC	--	--	3,410	--	3,410
Amounts recoverable from reinsurers – net	--	(62)	(767)	--	(829)
Finance income from reinsurance contracts	--	--	(175)	--	(175)
Total changes in the statement of income	16,132	(62)	(942)	--	15,128
Cashflows					
Premiums ceded and acquisition cashflows paid	(21,564)	--	--	--	(21,564)
Recoveries from reinsurance	4,157	--	8,088	--	12,245
Total cash (outflows) / inflows	(17,407)	--	8,088	--	(9,319)
Net closing balance	(5,646)	(62)	(15,803)	(978)	(22,489)
Reinsurance contract assets – closing	(5,646)	(62)	(15,803)	(978)	(22,489)
Reinsurance contract liabilities – closing	--	--	--	--	--
Closing balance – net (unaudited)	(5,646)	(62)	(15,803)	(978)	(22,489)

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

7. INSURANCE AND REINSURANCE CONTRACTS (continued)

7.2 Movements in insurance and reinsurance contract balances (continued)

7.2.3 Individual life insurance contracts:

Analysis by remaining coverage and incurred claims – Contracts not measured under the PAA:

	Individual life				
	As at 30 September 2023 (Unaudited)				
	Liability for remaining coverage		Liability for incurred claims		Total
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non-financial risk	
	SAR'000				
Insurance contracts					
Insurance contract liabilities – opening	1,235,956	--	31,494	--	1,267,450
Insurance contract assets – opening	(110)	--	--	--	(110)
Opening balance – net (unaudited)	1,235,846	--	31,494	--	1,267,340
<i>Changes in the statement of income</i>					
Insurance revenue (note 8)	(29,209)	--	--	--	(29,209)
Insurance service expenses					
Incurred claims and other directly attributable expenses (note 8)	--	--	24,913	--	24,913
Changes that relate to past service – adjustments to the LIC (note 8)	--	--	--	--	--
Insurance acquisition cashflows amortization (note 8)	540	--	--	--	540
Insurance service expenses	540	--	24,913	--	25,453
Investment component	(130,283)	--	130,283	--	--
Net finance expense from insurance contracts (note 9)	174,704	--	--	--	174,704
Total changes in the statement of income	15,752	--	155,196	--	170,948
Cashflows					
Premiums received	117,555	--	--	--	117,555
Claims and other directly attributable expenses paid	--	--	(155,038)	--	(155,038)
Insurance acquisition cashflows	--	--	--	--	--
Total cash inflows / (outflows)	117,555	--	(155,038)	--	(37,483)
Net closing balance	1,369,153	--	31,652	--	1,400,805
Insurance contract liabilities – closing	1,369,153	--	31,652	--	1,400,805
Insurance contract assets – closing	--	--	--	--	--
Closing balance – net (unaudited)	1,369,153	--	31,652	--	1,400,805

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

7. INSURANCE AND REINSURANCE CONTRACTS (continued)

7.2 Movements in insurance and reinsurance contract balances (continued)

7.2.3 Individual life insurance contracts (continued):

Analysis by measurement component – Contracts not measured under the PAA:

	Individual life			
	As at 30 September 2023 (Unaudited)			
	Estimates of PV of Future Cash Flows	Risk Adjustment	Contractual Service Margin (CSM)	Total
	SAR'000			
Insurance contracts				
Insurance contract liabilities – opening	1,124,937	588	143,366	1,268,891
Insurance contract assets – opening	(1,551)	--	--	(1,551)
Opening balance – net (unaudited)	1,123,386	588	143,366	1,267,340
Changes in the statement of income				
Changes related to current services				
CSM recognised for services provided	--	--	(18,451)	(18,451)
Change in risk adjustment for non-financial risk for risk expired	--	(109)	--	(109)
Experience adjustments	(12,090)	--	--	(12,090)
Changes that relate to future services				
Contracts initially recognised in the period	(4,541)	33	4,508	--
Changes in estimates that adjust the CSM	12,858	--	14,036	26,894
Changes that relate to past services				
Net finance expense from insurance contracts (note 9)	162,011	--	12,693	174,704
Total changes in the statement of income	158,238	(76)	12,786	170,948
Cashflows				
Premiums received	117,555	--	--	117,555
Claims and other directly attributable expenses paid	(155,038)	--	--	(155,038)
Insurance acquisition cashflows	--	--	--	--
Total cash outflows	(37,483)	--	--	(37,483)
Net closing balance	1,244,141	512	156,152	1,400,805
Insurance contract liabilities – closing	1,244,141	512	156,152	1,400,805
Insurance contract assets – closing	--	--	--	--
Closing balance – net (unaudited)	1,244,141	512	156,152	1,400,805

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

7. INSURANCE AND REINSURANCE CONTRACTS (continued)

7.2 Movements in insurance and reinsurance contract balances (continued)

7.2.3 Individual life insurance contracts (continued):

Analysis by remaining coverage and incurred claims:

	Individual life				
	As at 31 December 2022 (Unaudited)				
	Liability for remaining coverage		Liability for incurred claims		Total
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non- financial risk	
	SAR '000				
<u>Insurance contracts</u>					
Insurance contract liabilities – opening	1,467,799	--	20,208	--	1,488,007
Insurance contract assets – opening	(67)	--	--	--	(67)
Opening balance – net (unaudited)	1,467,732	--	20,208	--	1,487,940
<u>Changes in the statement of income</u>					
Insurance revenue	(38,621)	--	--	--	(38,621)
Insurance service expenses					
Incurred claims and other directly attributable expenses	--	--	29,323	--	29,323
Changes that relate to past service – adjustments to the LIC	--	--	--	--	-
Insurance acquisition cashflows amortization	(2,020)	--	--	--	(2,020)
Insurance service expenses	(2,020)	--	29,323	--	27,303
Investment component	(162,619)	--	162,619	--	--
Net finance expense from insurance contracts	(198,817)	--	--	--	(198,817)
Total changes in the statement of income	(402,077)	--	191,942	--	(210,135)
Cashflows:					
Premiums received	171,058	--	--	--	171,058
Claims and other directly attributable expenses paid	--	--	(180,656)	--	(180,656)
Insurance acquisition cashflows	(867)	--	--	--	(867)
Total cash inflows / (outflows)	170,191	--	(180,656)	--	(10,465)
Net closing balance	1,235,846	--	31,494	--	1,267,340
Insurance contract liabilities – closing	1,235,956	--	31,494	--	1,267,450
Insurance contract assets – closing	(110)	--	-	--	(110)
Closing balance – net (unaudited)	1,235,846	--	31,494	--	1,267,340

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

7. INSURANCE AND REINSURANCE CONTRACTS (continued)

7.2 Movements in insurance and reinsurance contract balances (continued)

7.2.3 Individual life insurance contracts (continued):

Analysis by measurement component – Contracts not measured under the PAA:

	Individual life			
	As at 31 December 2022 (Unaudited)			
	Estimates of PV of Future Cash Flows	Risk Adjustment	Contractual Service Margin	Total
	SAR '000			
<u>Insurance contracts</u>				
Insurance contract liabilities – opening	1,331,874	609	157,125	1,489,608
Insurance contract assets – opening	(1,668)	--	--	(1,668)
Opening balance – net (unaudited)	1,330,206	609	157,125	1,487,940
<u>Changes in the statement of income</u>				
Changes related to current services:				
CSM recognised for services provided	--	--	(23,416)	(23,416)
Change in risk adjustment for non-financial risk for risk expired	--	(90)	--	(90)
Experience adjustments	(65,114)	--	--	(65,114)
Changes that relate to future services:				
Contracts initially recognised in the period	(6,095)	69	6,026	--
Changes in estimates that adjust the CSM	83,652	--	(6,350)	77,302
Changes that relate to past services	--	--	--	--
Net finance expense from insurance contracts	(208,798)	--	9,981	(198,817)
Total changes in the statement of income	(196,355)	(21)	(13,759)	(210,135)
<u>Cashflows</u>				
Premiums received	171,058	--	--	171,058
Claims and other directly attributable expenses paid	(180,656)	--	--	(180,656)
Insurance acquisition cashflows	(867)	--	--	(867)
Total cash inflows	(10,465)	--	--	(10,465)
Net closing balance	1,123,386	588	143,366	1,267,340
Insurance contract liabilities – closing	1,124,937	588	143,366	1,268,891
Insurance contract assets – closing	(1,551)	--	--	(1,551)
Closing balance – net (unaudited)	1,123,386	588	143,366	1,267,340

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

7. INSURANCE AND REINSURANCE CONTRACTS (continued)

7.2 Movements in insurance and reinsurance contract balances (continued)

7.2.4 Individual life reinsurance contracts (continued):

	Individual Life				
	As at 30 September 2023 (Unaudited)				
	Asset for remaining coverage		Asset for incurred claims		Total
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non- financial risk	
	SAR'000				
Reinsurance contracts					
Reinsurance contract assets – opening	--	--	(3,819)	--	(3,819)
Reinsurance contract liabilities – opening	8,565	--	--	--	8,565
Opening balance – net (unaudited)	8,565	--	(3,819)	--	4,746
Changes in the statement of income					
Allocation of reinsurance premium paid	4,207	--	--	--	4,207
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expenses	--	--	(4,825)	--	(4,825)
Amounts recoverable from reinsurers – net	--	--	(4,825)	--	(4,825)
Finance expense from reinsurance contracts (note 9)	157	--	--	--	157
Total changes in the statement of income	4,364	--	(4,825)	--	(461)
Cashflows					
Premiums ceded and acquisition cashflows paid	(8,903)	--	--	--	(8,903)
Recoveries from reinsurance	--	--	4,516	--	4,516
Total cash (outflows) / inflows	(8,903)	--	4,516	--	(4,387)
Net closing balance	4,026	--	(4,128)	--	(102)
Reinsurance contracts:					
Reinsurance contract assets – closing		--	(4,128)	--	(4,128)
Reinsurance contract liabilities – closing	4,026	--	--	--	4,026
Closing balance – net (unaudited)	4,026	--	(4,128)	--	(102)

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

7. INSURANCE AND REINSURANCE CONTRACTS (continued)

7.2 Movements in insurance and reinsurance contract balances (continued)

7.2.4 Individual life reinsurance contracts (continued):

Analysis by measurement component – Contracts not measured under the PAA:

	Individual life			
	As at 30 September 2023 (Unaudited)			
	Estimates of PV of Future Cash Flows	Risk Adjustment	Contractual Service Margin	Total
	SAR'000			
Reinsurance contracts				
Reinsurance contract liabilities – opening	23,353	--	--	23,353
Reinsurance contract assets – opening	--	(10)	(18,597)	(18,607)
Opening balance – net (unaudited)	23,353	(10)	(18,597)	4,746
Changes in the statement of income				
Changes related to current services				
CSM recognised for services provided	--	--	327	327
Change in risk adjustment for non-financial risk for risk expired	--	18	--	18
Experience adjustments	67	--	--	67
Changes that relate to future services				
Contracts initially recognised in the year	64	--	(64)	--
Changes in estimates that adjust the CSM	(12,014)	(19)	11,003	(1,030)
Changes that relate to past services				
Finance expense / (income) from reinsurance contracts (note 9)	354	--	(197)	157
Total changes in the statement of income	(11,529)	(1)	11,069	(461)
Cashflows				
Premiums paid	(8,903)	--	--	(8,903)
Claims and other directly attributable expenses recovered	4,516	--	--	4,516
Total cash outflows	(4,387)	--	--	(4,387)
Net closing balance	7,437	(11)	(7,528)	(102)
Reinsurance contracts				
Reinsurance contract liabilities – closing	7,437	--	--	7,437
Reinsurance contract assets – closing	--	(11)	(7,528)	(7,539)
Closing balance – net (unaudited)	7,437	(11)	(7,528)	(102)

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

7. INSURANCE AND REINSURANCE CONTRACTS (continued)

7.2 Movements in insurance and reinsurance contract balances (continued)

7.2.4 Individual life reinsurance contracts (continued):

	Individual Life As at 31 December 2022 (Unaudited)				
	Asset for remaining coverage		Asset for incurred claims		Total
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non- financial risk	
	SAR'000				
<u>Reinsurance contracts</u>					
Reinsurance contract assets – opening	(3,016)	--	(3,374)	--	(6,390)
Reinsurance contract liabilities – opening	17,794	--	--	--	17,794
Opening balance – net (unaudited)	14,778	--	(3,374)	--	11,404
<u>Changes in the statement of income</u>					
Allocation of reinsurance premium paid	5,052	--	--	--	5,052
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expenses	--	--	(4,124)	--	(4,124)
Changes in fulfilment cash flows that do not adjust underlying CSM	--	--	(5,774)	--	(5,774)
Amounts recoverable from reinsurers – net	--	--	(9,898)	--	(9,898)
Finance income from reinsurance contracts	240	--	--	--	240
Total changes in the statement of income	5,292	--	(9,898)	--	(4,606)
Cashflows					
Premiums ceded and acquisition cashflows paid	(11,505)	--	--	--	(11,505)
Recoveries from reinsurance	--	--	9,453	--	9,453
Total cash (outflows) / inflows	(11,505)	--	9,453	--	(2,052)
Net closing balance	8,565	--	(3,819)	--	4,746
Reinsurance contracts					
Reinsurance contract assets – closing	--	--	(3,819)	--	(3,819)
Reinsurance contract liabilities – closing	8,565	--	--	--	8,565
Closing balance – net (unaudited)	8,565	--	(3,819)	--	4,746

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

7. INSURANCE AND REINSURANCE CONTRACTS (continued)

7.2 Movements in insurance and reinsurance contract balances (continued)

7.2.4 Individual life reinsurance contracts (continued):

Analysis by measurement component – Contracts not measured under the PAA:

	Individual life As at 31 December 2022 (Unaudited)			
	Estimates of PV of Future Cash Flows	Risk Adjustment	Contractual Service Margin	Total
	SAR'000			
Reinsurance contracts				
Reinsurance contract liabilities – opening	26,800	--	--	26,800
Reinsurance contract assets – opening	(3,191)	(10)	(12,195)	(15,396)
Opening balance – net (unaudited)	23,609	(10)	(12,195)	11,404
Changes in the statement of income				
Changes related to current services				
CSM recognised for services provided	--	--	2,383	2,383
Change in risk adjustment for non-financial risk for risk expired	--	(3)	--	(3)
Experience adjustments	1,098	--	--	1,098
Changes that relate to future services				
Contracts initially recognised in the year	91	--	(91)	--
Changes in estimates that adjust the CSM	5,588	3	(8,141)	(2,550)
Changes that relate to past services	(5,774)	--	--	(5,774)
Finance expense / (income) from reinsurance contracts	793	--	(553)	240
Total changes in the statement of income	1,796	--	(6,402)	(4,606)
Cashflows				
Premiums paid	(11,505)	--	--	(11,505)
Claims and other directly attributable expenses recovered	9,453	--	--	9,453
Total cash outflows	(2,052)	--	--	(2,052)
Net closing balance	23,353	(10)	(18,597)	4,746
Reinsurance contracts				
Reinsurance contract liabilities – closing	23,353	--	--	23,353
Reinsurance contract assets – closing	--	(10)	(18,597)	(18,607)
Closing balance – net (unaudited)	23,353	(10)	(18,597)	4,746

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

7. INSURANCE AND REINSURANCE CONTRACTS (continued)

7.2 Movements in insurance and reinsurance contract balances

7.2.5 Group life insurance contracts:

Analysis by remaining coverage and incurred claims – Contracts measured under the PAA:

	Group life				
	As at 30 September 2023 (Unaudited)				
	Liability for remaining coverage		Liability for incurred claims		Total
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non-financial risk	
	SAR'000				
Insurance contracts					
Insurance contract liabilities – opening	--	--	40,528	1,413	41,941
Insurance contract assets – opening	(10,331)	--	--	--	(10,331)
Opening balance – net (unaudited)	(10,331)	--	40,528	1,413	31,610
Changes in the statement of income					
Insurance revenue (note 8)	(41,876)	--	--	--	(41,876)
Insurance service expenses					
Incurred claims and other directly attributable expenses (note 8)	--	--	32,959	2,029	34,988
Insurance acquisition cashflows amortization (note 8)	--	--	--	--	--
Losses and reversals of losses on onerous contracts (note 8)	--	--	--	--	--
Changes that relate to past service - adjustments to the LIC (note 8)	--	--	1,168	(792)	376
Insurance service expenses	--	--	34,127	1,237	35,364
Finance expense from insurance contracts (note 9)	--	--	993	69	1,062
Total changes in the statement of income	(41,876)	--	35,120	1,306	(5,450)
Cashflows					
Premiums received	55,920	--	--	--	55,920
Claims and other directly attributable expenses paid	--	--	(35,658)	--	(35,658)
Insurance acquisition cashflows paid	--	--	--	--	--
Total cash inflows / (outflows)	55,920	--	(35,658)	--	20,262
Net closing balance	3,713	--	39,990	2,719	46,422
Insurance contract liabilities – closing	3,713	--	39,990	2,719	46,422
Insurance contract assets – closing	--	--	--	--	--
Closing balance – net (unaudited)	3,713	--	39,990	2,719	46,422

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

7. INSURANCE AND REINSURANCE CONTRACTS (continued)

7.2 Movements in insurance and reinsurance contract balances

7.2.5 Group life insurance contracts:

Analysis by remaining coverage and incurred claims – Contracts measured under the PAA:

	Group life				
	As at 31 December 2022 (Unaudited)				
	Liability for remaining coverage		Liability for incurred claims		Total
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non-financial risk	
	SAR '000				
<u>Insurance contracts</u>					
Insurance contract liabilities – opening	40,084	--	62,890	3,056	106,030
Insurance contract assets – opening	--	--	--	--	--
Opening balance – net (unaudited)	40,084	--	62,890	3,056	106,030
<u>Changes in the statement of income</u>					
Insurance revenue	(51,267)	--	--	--	(51,267)
Insurance service expenses					
Incurred claims and other directly attributable expenses	--	--	36,896	1,119	38,015
Insurance acquisition cashflows amortization	346	--	--	--	346
Losses and reversals of losses on onerous contracts	--	--	--	--	--
Changes that relate to past service - adjustments to the LIC	--	--	(23,273)	(2,813)	(26,086)
Insurance service expenses	346	--	13,623	(1,694)	12,275
Finance expense from insurance contracts	--	--	761	51	812
Total changes in the statement of income	(50,921)	--	14,384	(1,643)	(38,180)
Cashflows					
Premiums received	852	--	--	--	852
Claims and other directly attributable expenses paid	--	--	(36,746)	--	(36,746)
Insurance acquisition cashflows paid	(346)	--	--	--	(346)
Total cash inflows / (outflows)	506	--	(36,746)	--	(36,240)
Net closing balance	(10,331)	--	40,528	1,413	31,610
Insurance contract liabilities – closing	--	--	40,528	1,413	41,941
Insurance contract assets – closing	(10,331)	--	--	--	(10,331)
Closing balance – net (unaudited)	(10,331)	--	40,528	1,413	31,610

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

7. INSURANCE AND REINSURANCE CONTRACTS (continued)

7.2 Movements in insurance and reinsurance contract balances

7.2.6 Group life reinsurance contracts:

Analysis by remaining coverage and incurred claims – Contracts measured under the PAA:

	Group life				
	As at 30 September 2023 (Unaudited)				
	Asset for remaining coverage		Asset for incurred claims		Total
	Excluding loss recovery component	Loss recovery component	Estimates of present value of FCF	Risk adjustment for non-financial risk	
	SAR'000				
Reinsurance contracts					
Reinsurance contract assets – opening	--	--	(27,624)	(820)	(28,444)
Reinsurance contract liabilities – opening	16,922	--	--	--	16,922
Opening balance – net (unaudited)	16,922	--	(27,624)	(820)	(11,522)
Changes in the statement of income					
Allocation of reinsurance premium paid	32,379	--	--	--	32,379
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expenses	--	--	(15,023)	(1,791)	(16,814)
Recoveries and reversals of recoveries of losses on onerous underlying contracts	--	(609)	--	--	(609)
Changes that relate to past service – adjustments to the LIC	--	--	(16,797)	318	(16,479)
Amounts recoverable from reinsurers – net	--	(609)	(31,820)	(1,473)	(33,902)
Finance income from reinsurance contracts (note 9)	--	--	(800)	(55)	(855)
Total changes in the statement of income	32,379	(609)	(32,620)	(1,528)	(2,378)
Cashflows					
Premiums ceded and acquisition cashflows paid	(34,024)	--	--	--	(34,024)
Recoveries from reinsurance	--	--	26,872	--	26,872
Total cash (outflows) / inflows	(34,024)	--	26,872	--	(7,152)
Net closing balance	15,277	(609)	(33,372)	(2,348)	(21,052)
Reinsurance contract assets – closing	--	(609)	(33,372)	(2,348)	(36,329)
Reinsurance contract liabilities – closing	15,277	--	--	--	15,277
Closing balance – net (unaudited)	15,277	(609)	(33,372)	(2,348)	(21,052)

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

7. INSURANCE AND REINSURANCE CONTRACTS (continued)

7.2 Movements in insurance and reinsurance contract balances

7.2.6 Group life reinsurance contracts:

Analysis by remaining coverage and incurred claims – Contracts measured under the PAA:

	Group life				
	As at 31 December 2022 (Unaudited)				
	Asset for remaining coverage		Asset for incurred claims		Total
	Excluding loss recovery component	Loss recovery component	Estimates of present value of FCF	Risk adjustment for non-financial risk	
	SAR'000				
<u>Reinsurance contracts</u>					
Reinsurance contract assets – opening	--	--	(52,697)	(2,600)	(55,297)
Reinsurance contract liabilities – opening	6,852	--	--	--	6,852
Opening balance – net (unaudited)	6,852	--	(52,697)	(2,600)	(48,445)
<u>Changes in the statement of income</u>					
Allocation of reinsurance premium paid	20,040	--	--	--	20,040
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expenses	--	--	(34,553)	(2,032)	(36,585)
Recoveries and reversals of recoveries of losses on onerous underlying contracts	--	--	--	--	--
Changes that relate to past service – adjustments to the LIC	--	--	33,845	3,852	37,697
Amounts recoverable from reinsurers – net	--	--	(708)	1,820	1,112
Finance income from reinsurance contracts	--	--	(644)	(40)	(684)
Total changes in the statement of income	20,040	--	(1,352)	1,780	20,468
<u>Cashflows</u>					
Premiums ceded and acquisition cashflows paid	(38,772)	--	--	--	(38,772)
Recoveries from reinsurance	28,802	--	26,425	--	55,227
Total cash (outflows) / inflows	(9,970)	--	26,425	--	16,455
Net closing balance	16,922	--	(27,624)	(820)	(11,522)
Reinsurance contract assets – closing	--	--	(27,624)	(820)	(28,444)
Reinsurance contract liabilities – closing	16,922	--	--	--	16,922
Closing balance – net (unaudited)	16,922	--	(27,624)	(820)	(11,522)

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

8. INSURANCE REVENUE AND EXPENSES

	For the nine-month period ended 30 September 2023 (Unaudited)			
	Non-life	Individual Life	Group Life	Total
	SAR'000			
Contracts not measured under the PAA				
Amounts relating to changes in liabilities for remaining coverage:				
Expected incurred claims and other insurance service expenses	--	10,579	--	10,579
Change in risk adjustment for non-financial risk for risk expired	--	52	--	52
CSM recognized for services provided	--	18,451	--	18,451
Experience adjustments	--	127	--	127
Insurance revenue from contracts not measured under the PAA	--	29,209	--	29,209
Insurance revenue from contracts measured under the PAA	157,591	--	41,876	199,467
Insurance revenue – total	157,591	29,209	41,876	228,676
Insurance service expenses				
Incurred claims and other directly attributable expenses*	(134,947)	(24,913)	(34,988)	(194,848)
Insurance acquisition cashflows amortization	(19,426)	(540)	--	(19,966)
Reversals of losses on onerous contracts	14,950	--	--	14,950
Changes that relate to past service - adjustments to the LIC	9,393	--	(376)	9,017
Insurance service expenses – total	(130,030)	(25,453)	(35,364)	(190,847)
Net (expenses) / income from reinsurance contracts held	(14,061)	618	1,523	(11,920)
Total Insurance service result	13,500	4,374	8,035	25,909

* This includes surplus distribution for the period ended 30 September 2023.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

8. INSURANCE REVENUE AND EXPENSES (continued)

	For the nine-month period ended 30 September 2022 (Unaudited)			
	Non-life	Individual Life	Group Life	Total
	SAR'000			
Contracts not measured under the PAA:				
Amounts relating to changes in liabilities for remaining coverage:				
Expected incurred claims and other insurance service expenses	--	12,708	--	12,708
Change in risk adjustment for non-financial risk for risk expired	--	133	--	133
CSM recognized for services provided	--	18,728	--	18,728
Experience adjustments	--	1,314	--	1,314
Insurance revenue from contracts not measured under the PAA	--	32,883	--	32,883
Insurance revenue from contracts measured under the PAA	76,651	-	40,887	117,538
Insurance revenue – total	76,651	32,883	40,887	150,421
Insurance service expenses				
Incurred claims and other directly attributable expenses*	(55,872)	(16,847)	(41,126)	(113,845)
Insurance acquisition cashflows amortization	(5,101)	(380)	(2)	(5,483)
Reversals of losses and (loss) on onerous contracts	(9,162)	--	--	(9,162)
Changes that relate to past service - adjustments to the LIC	2,994	--	31,823	34,817
Insurance service expenses – total	(67,141)	(17,227)	(9,305)	(93,673)
Net (expenses) / income from reinsurance contracts held	(11,876)	1,250	(27,731)	(38,357)
Total Insurance service result	(2,366)	16,906	3,851	18,391

* This includes surplus distribution for the period ended 30 September 2022.

9. INSURANCE FINANCE (EXPENSE) / INCOME

	Non-life	Individual life	Group life	Total
30 September 2023 – (unaudited)				
Finance expense from insurance contracts issued	(2,218)	(174,704)	(1,062)	(177,984)
Net finance (expense) / income from reinsurance contracts held	166	(157)	855	864
Finance expense – net	(2,052)	(174,861)	(207)	(177,120)
	Non-life	Individual life	Group life	Total
30 September 2022 – (unaudited)				
Net finance (expense) / income from insurance contracts issued	(592)	237,824	(527)	236,705
Net finance (expense) / income from reinsurance contracts held	119	(306)	446	259
Finance (expense) / income - net	(473)	237,518	(81)	236,964

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

10. STATUTORY RESERVE

As required by Saudi Arabian Insurance Laws and Regulations, 20% of the net shareholders income shall be set aside as a statutory reserve until this reserve amounts to 100% of paid capital. The Company makes this transfer on an annual basis at 31 December each year.

11. STATUTORY DEPOSIT

	<i>30 September 2023 (unaudited) SAR'000</i>	<i>31 December 2022 (unaudited) SAR'000</i>
Statutory deposit (note 11.1)	55,000	55,000
Expected credit loss (note 11.2)	(9)	(9)
	<u>54,991</u>	<u>54,991</u>

11.1 In compliance with Article 58 of the Implementing Regulations of SAMA, the Company has deposited 10% of its share capital prior to the issue of bonus shares (refer note 14), amounting to SAR 55,000 thousand as at 30 September 2023 (31 December 2022: SAR 55,000 thousand) in a bank designated by SAMA. During the period ended 30 September 2023, as the result of the bonus share issue, the Company is required to deposit an additional amount of SAR 11 million to meet the requirements of implementing regulations and is currently in the process of making the required further deposit. The amount of statutory deposit cannot be withdrawn without SAMA's approval. This deposit is held with Bank AlJazira "the founding shareholder". In accordance with instructions received from SAMA, the Company has disclosed the commission due on the statutory deposit as an asset and a liability in these condensed interim financial statements.

11.2 On adoption of IFRS 9, the Company has recorded allowance for expected credit loss of SAR 9 thousand as at 30 September 2023 (31 December 2022: SAR 9 thousand).

12. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The Company in the normal course of business, enters into transactions with other entities that fall within the definition of the related party contained in the International Accounting Standard (IAS) – 24. Related parties represent major shareholders', directors and key management personnel of the Company and entities controlled, jointly controlled, or significantly influenced by such parties. All transactions with such related parties are conducted on normal terms and conditions approved by management.

12.1 In addition to the disclosures set out in notes 4, 5, and 6.1, the following are the details of major related party transactions during the nine-month periods ended:

<u>Related parties</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>Amount of transactions</u> <i>30 September 2023 (unaudited) SAR'000</i>	<i>30 September 2022 (unaudited) SAR'000</i>
<i>Bank AlJazira</i>	Shareholder	Commission income on deposits	3,337	29
		Insurance policies sold	7,900	13,852
		Claims paid	30,936	26,684
		Investment in sukuk	150,000	--
		Profit earned on sukuks	2,515	--
		Bonus shares issued	24,540	--
		Dividend received	--	15
<i>AlJazira Capital</i>	Shareholder	Profit earned on mutual funds	1,720	2,573
		Other income	8,289	7,353
		Custodian charges	244	197
		Insurance policies sold	490	--
		Bonus shares issued	4,090	--

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

12. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

<u>Related parties</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>Amount of transactions</u> 30 September 2023 (unaudited) SAR'000	30 September 2022 (unaudited) SAR'000
Durrah Advanced Development Company	Shareholder	Insurance policies sold	2,544	2,756
Consolidated Brother Company	Shareholder	Insurance policies sold	596	33
		Bonus Shares Issued	4,090	--
		Commission	--	3
Solidarity Group Holding (Bahrain Shareholding Company)	Shareholder	Bonus Shares Issued	7,755	--
Board of directors and committee members		Insurance policies sold	188	188
Key management personnel		Salaries, benefits and allowances, net	3,935	4,428
		Insurance policies sold	2	7

12.2 Amount due from a related party

	<u>Relationship</u>	30 September 2023 (Unaudited) SAR'000	31 December 2022 (Unaudited) SAR'000
AlJazira Capital	Shareholder	6,779	2,807
		<u>6,779</u>	<u>2,807</u>

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 2023 and year ended 31 December 2022 is as follows:

13.1 Zakat

	30 September 2023 (Unaudited) SAR'000	31 December 2022 (Unaudited) SAR'000
Balance at the beginning of period / year	3,136	2,838
Zakat for the period / year	1,234	1,000
Zakat paid during the period / year	(920)	(702)
Balance at the end of the period / year	<u>3,450</u>	<u>3,136</u>

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

13. ZAKAT AND INCOME TAX (continued)

13.2 Income tax

	<i>30 September 2023 (Unaudited) SAR'000</i>	<i>31 December 2022 (Unaudited) SAR'000</i>
Balance at the beginning of period / year	(228)	(656)
Income tax for the period / year	1,542	930
Income tax paid during the period / year	(571)	(502)
	<u>743</u>	<u>(228)</u>
Total Zakat and Income tax at the end of the period / year	<u>4,193</u>	<u>2,908</u>

Status of assessments

The Company has submitted its Zakat and income tax returns for the years 2014 to 2022 with Zakat, Tax and Customs Authority (Formerly known as "the General Authority of Zakat and Income Tax") ("Authority" or "ZATCA") and obtained restricted certificates.

ZATCA has issued initial assessments for the years 2014 through 2020 with additional Zakat and income tax liability of SAR 48,333 thousand. The Company has filed an appeal against these initial assessments. The Preliminary Appeal Committee ("PAC") issued their decision upholding ZATCA's treatment. The Company has filed an appeal against the PAC decision with the Higher Appeal Committee ("HAC"). The management and their independent Zakat and income tax consultant believe that the Company is in a strong position with respect to the aforementioned appeal. With regards to the withholding tax, ZATCA issued assessments for the withholding tax returns for the months of January and December 2015, December 2016, December 2017, and July and December 2018, and the full amounts due from these assessments were paid to ZATCA. With regards to the value-added tax (VAT), ZATCA issued final assessments during the year 2020, on the value-added tax returns for the year 2019 and the additional amounts resulting from these assessments have been paid.

In addition, the Company has also submitted its Zakat and income tax returns in relation to Solidarity for the years 2009 to 2020 with ZATCA and obtained restricted certificates. During the previous years, ZATCA has issued zakat and income tax assessments in respect of Solidarity for the years 2009 and 2010 and from 2012 to 2018 with additional Zakat and income tax liability of SAR 48,546 thousand. Based on these assessments, the Company submitted an objection to the General Secretariat of the Committees for Zakat and Tax, which issued several decisions to support the procedure of ZATCA. The Company has filed an appeal against these initial assessments and is confident of a favorable outcome. Subsequent to the period end, a decision was issued by the Settlement Committee for the years 2011 to 2018 accepting the settlement request for the years 2011 to 2018. The management of the Company and their independent Zakat and income tax consultant strongly believes that the Company is in a strong position with respect to the aforementioned appeals for the remaining years.

14. SHARE CAPITAL AND EARNINGS PER SHARE

During the period ended 30 September 2023, the Company completed its bonus issue of SAR 110 million (consisting of 11 million new shares of SAR 10 each) from the share premium, after the approval by the shareholders at the extraordinary general meeting held on 25 September 2023 (corresponding to 10 Rabi' al-Awwal 1445). Accordingly, the authorized, issued and paid-up capital of the Company at 30 September 2023 is SAR 660 million divided into 66 million shares of SAR 10 each (31 December 2022: SAR 550 million divided into 55 million shares of SAR 10 each).

	<u>Percentage of holding</u>		<u>Amount of share capital</u>	
	<i>30 September 2023 %</i>	<i>31 December 2022 %</i>	<i>30 September 2023 SAR'000</i>	<i>31 December 2022 SAR'000</i>
Founding Shareholders	29.75%	29.75%	196,350	163,625
Solidarity Group Holding (Bahrain Shareholding Company)	7.05%	7.05%	46,530	38,775
General public	63.20%	63.20%	417,120	347,600
	<u>100%</u>	<u>100%</u>	<u>660,000</u>	<u>550,000</u>

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

14. SHARE CAPITAL AND EARNINGS PER SHARE (continued)

The basic and diluted earnings per share is calculated as follows:

	Three-month period ended 30 September 2023	Three-month period ended 30 September 2022 <i>Restated</i>	Nine-month period ended 30 September 2023	Nine-month period ended 30 September 2022 <i>Restated</i>
Net profit for the period attributable to the shareholders (SAR'000)	16,913	9,809	41,403	27,461
Weighted average number of ordinary shares (in thousands of shares)	66,000	66,000	66,000	66,000
Basic and diluted earnings per share	0.26	0.15	0.63	0.42

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 and cash equivalents, investments held to cover unit-linked liabilities, FVTPL investments, investments carried at amortised cost, other receivables, and financial liabilities consist of other liabilities, lease liabilities and due to a related party. The fair values of financial instruments are not materially different from their carrying values. As at 30 September 2023, apart from the investments which are carried at fair value (note 5 and 6), 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 shows the carrying amount and fair values of financial assets, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial asset and liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value, as these are either short-term in nature or carry interest rates which are based on prevalent market interest rates.

30 September 2023 (SAR'000)						
<u>Fair value (Unaudited)</u>						
	<u>Fair value through profit or loss</u>	<u>Fair value through other comprehensive income</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets measured at fair value:						
Mutual funds	1,433,765	-	-	1,433,765	-	1,433,765
Equity shares	-	39,703	-	-	39,703	39,703
Tier 1 Sukuks	250,079	-	-	-	250,079	250,079
Total	1,683,844	39,703	-	1,433,765	289,782	1,723,547

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

15. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

	Fair value through profit or loss	Fair value through other comprehensive income	31 December 2022 (SAR'000)			
			<u>Fair value (Unaudited)</u>			
			<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets measured at fair value:						
Mutual funds	1,368,403	--	--	1,368,403	--	1,368,403
Equity shares	3,473	39,703	3,473	--	39,703	43,176
Tier 1 Sukuks	96,049	--	--	--	96,049	96,049
Total	<u>1,467,925</u>	<u>39,703</u>	<u>3,473</u>	<u>1,368,403</u>	<u>135,752</u>	<u>1,507,628</u>

Significant unobservable inputs used in the valuation of level 3 investments include fair value estimates from reputable third party valuer who use technique such as discounted cash flows and other sophisticated models. The fair value of investments in mutual funds and sukuku at level 2 is based on the net asset values and value of similar quoted sukuku available. The fair value of investments in equity securities at level 1 is based on quoted prices available in the market. There were no transfers between levels of the fair value hierarchy during the period ended 30 September 2023 and the year ended 31 December 2022. Additionally, there were no changes in the valuation techniques. Investments measured at amortised cost include corporate sukuku and Murabaha deposits.

16. OPERATING SEGMENT INFORMATION

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

The non-life segment includes medical, motor and general portfolios. The medical portfolio offers comprehensive medical care to the members of organizations and their dependents on a group basis and individuals in a wide network of hospitals and medical centers throughout the Kingdom of Saudi Arabia.

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

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

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

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

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

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
At 30 September 2023

16. OPERATING SEGMENT INFORMATION (continued)

	As at 30 September 2023 (Unaudited)			
	Non- life	Individual life	Group life	Total
	SAR'000			
ASSETS				
Reinsurance contract assets	16,511	102	21,052	37,665
Investments held to cover unit-linked liabilities	--	1,407,525	--	1,407,525
Total segment assets	16,511	1,407,627	21,052	1,445,190
Unallocated assets				
Cash and cash equivalents				121,641
Investments held at fair value through profit or loss				276,319
Investments held at fair value through other comprehensive income				39,703
Investments held at amortised cost				501,716
Due from a related party				6,779
Prepayments and other assets				21,111
Property and equipment				2,738
Intangible assets				1,559
Right-of-use assets				1,844
Goodwill				232,255
Accrued income on statutory deposit				88
Statutory deposit				54,991
Total assets				<u>2,705,934</u>
LIABILITIES				
Insurance contract liabilities	194,345	1,400,805	46,422	1,641,572
Reinsurance contract liabilities	--	--	--	--
Total segment liabilities	194,345	1,400,805	46,422	1,641,572
Unallocated liabilities				
Accrued expenses and other liabilities				118,270
Lease liabilities				1,534
Employee benefits				6,197
Accrued income on statutory deposit				88
Zakat and income tax				4,193
TOTAL LIABILITIES				<u>1,771,854</u>
EQUITY				
Share capital				660,000
Share premium				87,286
Statutory reserve				48,303
Retained earnings				100,318
Fair value revaluation reserve				37,780
TOTAL SHAREHOLDERS' EQUITY				<u>933,687</u>
Remeasurement reserve of employee benefits - related to Insurance Operations				393
TOTAL EQUITY				<u>934,080</u>
TOTAL LIABILITIES AND EQUITY				<u>2,705,934</u>

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
At 30 September 2023

16. OPERATING SEGMENT INFORMATION (continued)

	As at 31 December 2022 (Unaudited)			
	Non-life	Individual life	Group life	Total
	SAR'000			
ASSETS				
Reinsurance contract assets	22,489	--	11,522	34,011
Investments held to cover unit-linked liabilities	--	1,278,506	--	1,278,506
Total segment assets	22,489	1,278,506	11,522	1,312,517
Unallocated assets				
Cash and cash equivalents				263,179
Investments held at fair value through profit or loss				189,150
Investments held at fair value through other comprehensive income				39,703
Investments held at amortised cost				414,469
Due from a related party				2,807
Prepayments and other assets				18,717
Property and equipment				3,415
Intangible assets				2,150
Right-of-use assets				3,005
Goodwill				232,255
Statutory deposit				54,991
Total assets				<u>2,536,358</u>
LIABILITIES				
Insurance contract liabilities	208,292	1,267,340	31,610	1,507,242
Reinsurance contract liabilities	--	4,746	--	4,746
Total segment liabilities	208,292	1,272,086	31,610	1,511,988
Unallocated liabilities and surplus				
Accrued expenses and other liabilities				120,174
Lease liabilities				3,035
Employee benefits				5,576
Zakat and income tax				2,908
TOTAL LIABILITIES				<u>1,643,681</u>
EQUITY				
Share capital				550,000
Share premium				197,286
Statutory reserve				48,303
Retained earnings				58,915
Fair value revaluation reserve				37,780
TOTAL SHAREHOLDERS' EQUITY				<u>892,284</u>
Remeasurement reserve of employee benefits - related to Insurance Operations				393
TOTAL EQUITY				<u>892,677</u>
TOTAL LIABILITIES AND EQUITY				<u>2,536,358</u>

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

16. OPERATING SEGMENT INFORMATION (continued)

	For the three-month period ended 30 September 2023 (Unaudited)			
	Non-life SAR'000	Individual life SAR'000	Group life SAR'000	Total SAR'000
Insurance revenue	54,943	4,482	18,759	78,184
Insurance service expenses	(55,586)	844	(16,731)	(71,473)
Net income / (expenses) from reinsurance contracts held	1,621	655	75	2,351
Insurance service result	978	5,981	2,103	9,062
Net (loss) / income on investments measured at FVTPL				(32,747)
Commission income on investments measured at amortised cost				2,538
Commission income on short term deposits				3,643
Net reversal / (impairment) loss on financial assets				13
Investment return				(26,553)
Net finance income from insurance contracts issued				35,598
Net finance income from reinsurance contracts held				275
Net financial result				9,320
Other income				12,691
Other operating expenses				(13,812)
Income for the period attributable to the shareholders before zakat and income tax				17,261
Zakat				(210)
Income tax				(138)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS				16,913
Weighted average number of ordinary shares outstanding (in thousands of shares)				66,000
Earnings per share for the period (SAR / share) (Basic and diluted)				0.26

Breakdown of GWP	For the three-month period ended 30 September 2023 (Unaudited)					Total
	Medical	Motor	Property & casualty	Protection & Savings Individual	Group	
Retail	--	5,421	3	43,050	--	48,474
Very small	27,660	(264)	--	--	--	27,396
Small	25,245	123	--	--	--	25,368
Medium	11,848	2,911	6,836	--	--	21,595
Corporate	421	740	--	--	2,021	3,182
Total	65,174	8,931	6,839	43,050	2,021	126,015

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

16. OPERATING SEGMENT INFORMATION (continued)

	For the nine-month period ended 30 September 2023 (Unaudited)			
	Non-life SAR'000	Individual life SAR'000	Group life SAR'000	Total SAR'000
Insurance revenue	157,591	20,663	41,876	220,130
Insurance service expenses	(130,030)	(16,907)	(35,364)	(182,301)
Net (expenses) / income from reinsurance contracts held	(14,061)	618	1,523	(11,920)
Insurance service result	13,500	4,374	8,035	25,909
Net income on investments measured at FVTPL				181,341
Commission income on investments measured at amortised cost				10,107
Commission income on short term deposits				7,133
Net impairment loss on financial assets				(53)
Investment return				198,528
Net finance expense from insurance contracts issued				(177,984)
Net finance income from reinsurance contracts held				864
Net financial result				21,408
Other income				27,684
Other operating expenses				(30,822)
Income for the period attributable to the shareholders before zakat and income tax				44,179
Zakat				(1,234)
Income tax				(1,542)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS				41,403
Weighted average number of ordinary shares outstanding (in thousands of shares)				66,000
Earnings per share for the period (SAR / share) (Basic and diluted)				0.63

Details relating to gross written premium for the period ended 30 September 2023 are disclosed below to comply with the requirements of SAMA and are not calculated as per the requirements of IFRS 17:

Breakdown of GWP	For the nine-month period ended 30 September 2023 (Unaudited)					Total
	Medical	Motor	Property & casualty	Individual	Protection & Savings Group	
Retail	--	12,047	8	117,602	--	129,657
Very small	50,620	(1,415)	--	--	--	49,205
Small	45,791	300	--	--	4	46,095
Medium	27,158	7,793	21,129	--	12	56,092
Corporate	3,515	1,611	--	--	603	5,729
Total	127,084	20,336	21,137	117,602	619	286,778

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

16. OPERATING SEGMENT INFORMATION (continued)

	For the three-month period ended 30 September 2022 (Unaudited)			
	Non-life SAR '000	Individual life SAR '000	Group life SAR '000	Total SAR '000
Insurance revenue	32,693	15,897	13,792	62,382
Insurance service expenses	(37,871)	(7,142)	(9,481)	(54,494)
Net income / (expenses) from reinsurance contracts held	(3,936)	458	(7,884)	(11,362)
Insurance service result	(9,114)	9,213	(3,573)	(3,474)
Net loss on investments measured at FVTPL				(31,839)
Commission income on investments measured at amortised cost				2,617
Commission income on short term deposits				28
Net impairment loss on financial assets				(43)
Investment return				(29,237)
Net finance income from insurance contracts issued				33,533
Net finance income from reinsurance contracts held				148
Net financial result				4,444
Other income				12,106
Other operating expenses				(2,856)
Income for the period attributable to the shareholders before zakat and income tax				10,220
Zakat				(263)
Income tax				(148)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS				9,809
Weighted average number of ordinary shares outstanding (in thousands of shares)				66,000
Earnings per share for the period (SAR / share) (Basic and diluted)				0.15

Breakdown of GWP	For the three-month period ended 30 September 2022 (Unaudited)					
	Medical	Motor	Property & casualty	Individual	Protection & Savings Group	Total
Retail	--	59,318	--	41,488	--	100,806
Very small	7,212	(7)	--	--	--	7,205
Small	6,080	80	--	--	68	6,228
Medium	5,524	1,425	5,608	--	31	12,588
Corporate	20	474	--	--	3,390	3,884
Total	18,836	61,290	5,608	41,488	3,489	130,711

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
At 30 September 2023

16. OPERATING SEGMENT INFORMATION (continued)

	For the nine-month period ended 30 September 2022 (Unaudited)			
	Non-life SAR '000	Individual life SAR '000	Group life SAR '000	Total SAR '000
Insurance revenue	76,651	32,883	40,887	150,421
Insurance service expenses	(67,141)	(17,227)	(9,305)	(93,673)
Net income / (expenses) from reinsurance contracts held	(11,876)	1,250	(27,731)	(38,357)
Insurance service result	(2,366)	16,906	3,851	18,391
Net loss on investments measured at FVTPL				(232,730)
Commission income on investments measured at amortised cost				8,643
Commission income on short term deposits				29
Net impairment loss on financial assets				(52)
Investment return				(224,110)
Net finance income from insurance contracts issued				236,705
Net finance income from reinsurance contracts held				259
Net financial result				12,854
Other income				18,160
Other operating expenses				(20,154)
Income for the period attributable to the shareholders before zakat and income tax				29,251
Zakat				(945)
Income tax				(845)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS				27,461
Weighted average number of ordinary shares outstanding (in thousands of shares)				66,000
Earnings per share for the period (SAR / share) (Basic and diluted)				0.42

Details relating to gross written premium for the period ended 30 September 2022 are disclosed below to comply with the requirements of SAMA and are not calculated as per the requirements of IFRS 17.

	For the nine-month period ended 30 September 2022 (Unaudited)					
Breakdown of GWP	Medical	Motor	Property & casualty	Individual	Protection & Savings Group	Total
Retail	--	84,214	124	121,592	--	205,930
Very small	10,590	(1,306)	--	--	--	9,284
Small	9,773	80	--	--	68	9,921
Medium	10,151	5,619	21,824	--	99	37,693
Corporate	508	1,833	--	--	4,628	6,969
Total	31,022	90,440	21,948	121,592	4,795	269,797

17. SUBSEQUENT EVENTS

Except as disclosed in note 13, there have been no significant subsequent events since the period end, that would require disclosures or adjustments in these condensed interim financial statements.

18. COMPARATIVE INFORMATION

Certain figures have been reclassified or rearranged to conform to the current period presentation and were not material to the condensed interim financial statements.

19. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements have been approved by the Board of Directors on 01 November 2023 corresponding to 17 Rabi-ul-Thani 1445H.