

SABB TAKAFUL COMPANY

(A SAUDI JOINT STOCK COMPANY)

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

**FOR THE THREE AND SIX-MONTH PERIODS ENDED
30 JUNE 2021**

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

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الدكتور محمد العمري وشركاه

Dr. Mohamed Al-Amri & Co.



Ibrahim Ahmed Al-Bassam & Co

Certified Public Accountants - Al-Bassam & Co.
(member firm of PKF International)

INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

The Shareholders

SABB Takaful Company

(A Saudi Joint Stock Company)

Riyadh

Kingdom of Saudi Arabia

INTRODUCTION

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

SCOPE OF REVIEW

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

CONCLUSION

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

OTHER MATTER

The financial statements of the Company for the year ended 31 December 2020, were audited by other auditors who expressed an unmodified opinion on those financial statements on 16 Sha'ban 1442H (corresponding to 29 March 2021). Also, the interim condensed financial statements of the Company for the period ended 30 June 2020 were reviewed by the same auditors, who issued an unmodified conclusion on those interim condensed financial statements on 4 Muharram 1442H (corresponding to 23 August 2020).

For Dr. Mohamed Al-Amri & Co.

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Kingdom of Saudi Arabia

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For Al-Bassam & Co.

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Date: 23 August 2021

Corresponding to Muharram 15, 1443 AH

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

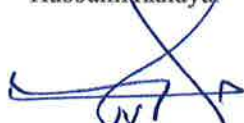
		30 June 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000 (Restated)	1 January 2020 (Audited) SAR'000 (Restated)
	<i>Notes</i>			
ASSETS				
Cash and cash equivalents	5	87,009	68,215	146,986
Short term deposits		60,347	120,345	66,277
Contributions and retakaful/ reinsurance receivables, net	4	53,857	45,260	26,406
Retakaful/ reinsurance share of unearned contributions	7(b)	23,306	25,527	10,946
Retakaful/ reinsurance share of outstanding claims including incurred but not reported "IBNR"	6	111,029	73,994	47,644
Deferred policy acquisition costs		3,237	3,947	1,985
Available-for-sale investments	3	450,854	413,621	383,869
Held-to-maturity investments	3	166,602	146,339	146,372
Prepaid expenses and other assets		3,379	3,762	1,062
Fixed assets		-	8	75
Intangible assets		1,644	2,029	2,216
Statutory deposit		34,000	34,000	34,000
Accrued income on statutory deposit		4,889	4,612	4,355
TOTAL ASSETS		1,000,153	941,659	872,193

Naji AlMustafa



Chief Financial Officer

Hussam Alkhaya



Chief Executive Officer

Mohammad Alshayea



Chairman

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED) (continued)

		30 June 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000 (Restated)	1 January 2020 (Audited) SAR'000 (Restated)
	<i>Notes</i>			
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
Accrued and other liabilities		40,800	41,695	35,542
Provision for zakat and income tax	11	2,622	4,991	5,778
Retakaful/ reinsurers' balances payable		20,525	25,014	15,864
Unearned contributions	7(b)	30,240	34,283	15,703
Unearned retakaful/ reinsurance commission		4,741	4,722	1,910
Gross outstanding claims including IBNR	6	132,362	93,011	62,290
Unexpired risk reserve	7(d)	4,417	8,836	5,889
Non-unit reserve	7(c)	2,673	7,607	6,470
Provision for employees' end-of-service benefits		6,434	6,316	5,875
Surplus distribution payable		7,057	6,593	6,593
Reserve for takaful activities	7(a), 3(c)	443,848	406,636	376,834
Accrued income on statutory deposit		4,889	4,612	4,355
TOTAL LIABILITIES		700,608	644,316	543,103
SHAREHOLDERS' EQUITY				
Share capital	12	340,000	340,000	340,000
Statutory reserve		14,788	14,788	14,788
Accumulated losses		(54,987)	(56,826)	(25,524)
Remeasurements of employees' end-of-service benefits		(875)	(1,218)	(823)
Fair value reserve on available-for-sale investments		619	599	649
TOTAL SHAREHOLDERS' EQUITY		299,545	297,343	329,090
TOTAL LIABILITIES, TAKAFUL OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		1,000,153	941,659	872,193

Naji AlMustafa

Chief Financial Officer

Hussam Alkhayal

Chief Executive Officer

Mohammad Alshayea

Chairman

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

INTERIM CONDENSED STATEMENT OF INCOME (UNAUDITED)
For the three and six month periods ended 30 June 2021

	Notes	Three months ended 30 June 2021 SAR'000	Three months ended 30 June 2020 SAR'000	Six months ended 30 June 2021 SAR'000	Six months ended 30 June 2020 SAR'000
REVENUES					
Gross contributions written					
- Family Takaful		36,730	33,093	77,262	70,181
- General Takaful		10,373	12,149	24,224	21,955
		47,103	45,242	101,486	92,136
Retakaful / reinsurance contribution ceded					
- Local retakaful / reinsurance contribution ceded		(6,417)	(2,254)	(13,343)	(4,536)
- Foreign retakaful / reinsurance contribution ceded		(12,534)	(20,065)	(27,793)	(37,536)
Planholder charges		4,513	3,856	9,275	8,265
Net contributions written		32,665	26,779	69,625	58,329
Changes in unearned contributions		4,815	(550)	4,043	(4,262)
Changes in retakaful / reinsurance share of unearned contributions		(3,350)	1,318	(2,222)	4,834
Net contributions earned		34,130	27,547	71,446	58,901
Fees and commission income		2,528	1,763	4,303	2,402
Other underwriting income		(114)	1,999	108	1,999
Total revenue		36,544	31,309	75,857	63,302
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid		(20,176)	(6,887)	(41,957)	(16,751)
Retakaful / reinsurance share of claims paid		15,179	5,227	33,280	13,234
Surrenders and maturities		(19,660)	(17,112)	(39,995)	(35,580)
Net claims and other benefits paid		(24,657)	(18,772)	(48,672)	(39,097)
Changes in outstanding claims, net		876	(780)	118	(1,421)
Changes in IBNR, net		(929)	(879)	(2,435)	(1,162)
Net claims and other benefits incurred		(24,710)	(20,431)	(50,989)	(41,680)
Changes in reserve for takaful activities		(1,341)	(546)	(6,454)	(3,763)
Changes in non-unit reserve		1,806	115	4,935	(2,020)
Changes in unexpired risk reserve		2,625	2,192	4,419	598
Policy acquisition costs		(4,578)	(3,788)	(8,783)	(7,250)
Total underwriting costs and expenses		(26,198)	(22,458)	(56,872)	(54,115)
Net underwriting income		10,346	8,851	18,985	9,187
OTHER OPERATING (EXPENSES)/ INCOME					
General and administrative expenses		(9,245)	(12,557)	(17,905)	(25,719)
Rebate income		405	330	760	660
Income from deposits		616	764	1,257	1,827
Income from sukuk		1,057	1,047	2,090	2,051
Dividend income		70	70	140	85
TOTAL OTHER OPERATING EXPENSES, NET		(7,097)	(10,346)	(13,658)	(21,096)
Net income / (loss) for the period before attribution and zakat and income tax		3,249	(1,495)	5,327	(11,909)
Net income for the period attributed to the takaful operations		(264)	-	(464)	-
Net income / (loss) for the period attributable to shareholders before zakat and tax		2,985	(1,495)	4,863	(11,909)
Zakat and income tax for the period	11	(1,642)	(1,319)	(3,024)	(2,449)
Net income / (loss) attributable to the shareholders after zakat and income tax		1,343	(2,814)	1,839	(14,358)
Income / (loss) per share (SAR per share) (Basic)	9	0.04	(0.08)	0.05	(0.42)

Naji AlMustafa
Chief Financial Officer

Hussam Alkhayal
Chief Executive Officer

Mohammad Alshayea
Chairman

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

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the three month and sixmonth periods ended 30 June 2021

		<i>Three months ended 30 June 2021 SAR'000</i>	<i>Three months ended 30 June 2020 SAR'000</i>	<i>Six months ended 30 June 2021 SAR'000</i>	<i>Six months ended 30 June 2020 SAR'000</i>
Notes					
Net income / (loss) attributable to the shareholders after zakat and income tax		1,343	(2,814)	1,839	(14,358)
Other comprehensive (loss) / Income:					
<i>Items that will be reclassified to statement of income in subsequent periods</i>					
- Fair value change in unit-linked available for sale investments – unrealized	3(c)	(17,359)	29,531	(40,033)	(9,235)
- Fair value change in reserve for takaful activities – unrealized	7(a)	17,359	(29,531)	40,033	9,235
- Fair value reserve on available-for-sale equity investments		(180)	469	20	(549)
<i>Items that will not be reclassified to statement of income in subsequent periods</i>					
- Re-measurements of employees' end-of-service benefits		422	39	343	(162)
Total comprehensive income / (loss) for the period		1,585	(2,306)	2,202	(15,069)

Naji AlMustafa


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Hussam Alkhaya


Chief Executive Officer

Mohammad Alshayea


Chairman

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INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
For the six-month period ended 30 June 2021

	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Remeasureme nts of employees' end-of-service benefits</i>	<i>Fair value reserve on available- for-sale equity investments</i>	<i>Accumulated losses</i>	<i>Total</i>
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Balance as at 1 January 2021 - Restated	340,000	14,788	(1,218)	599	(56,826)	297,343
<i>Total comprehensive income for the period</i>						
Net income / (loss) attributable to the shareholders after zakat and tax	-	-	-	-	1,839	1,839
Remeasurements of employees' end-of-service benefits	-	-	343	-	-	343
Fair value reserve on available-for- sale investments	-	-	-	20	-	20
Total comprehensive income for the period	-	-	343	20	1,839	2,202
Balance as at 30 June 2021	340,000	14,788	(875)	619	(54,987)	299,545

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INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

(continued)

For the six-month period ended 30 June 2021

	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Remeasurements of employees' end-of-service benefits</i>	<i>Fair value reserve on available-for-sale equity investments</i>	<i>Accumulated losses</i>	<i>Total</i>
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Balance as at 1 January 2020 – before adjustment	340,000	14,788	(823)	649	(33,264)	321,350
Impact of prior year restatement	-	-	-	-	7,740	7,740
Balance as at 1 January 2020 – as restated (note 16)	340,000	14,788	(823)	649	(25,524)	329,090
<i>Total comprehensive income for the period:</i>						
Net loss attributable to the shareholders after zakat and tax	-	-	-	-	(14,358)	(14,358)
Remeasurements of employees' end-of-service benefits	-	-	(162)	-	-	(162)
Fair value reserve on available-for-sale investments	-	-	-	(549)	-	(549)
Total comprehensive loss for the period	-	-	(162)	(549)	(14,358)	(15,069)
Balance as at 30 June 2020 - restated	340,000	14,788	(985)	100	(39,882)	314,021

Naji AlMustafa



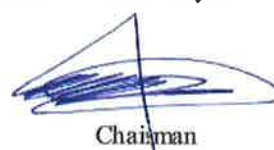
Chief Financial Officer

Hussam Alkhayal



Chief Executive Officer

Mohammad Alshayea



Chairman

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INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
For the six-month period ended 30 June 2021

	<i>Six months ended 30 June 2021 SAR'000</i>	<i>Six months ended 30 June 2020 SAR'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income / (loss) before attribution and zakat and income tax	5,327	(11,909)
<u>Adjustments for non-cash items:</u>		
Amortisation	385	352
Depreciation	8	35
Income from sukuk	(2,108)	(2,069)
Amortization of premium on sukuk	20	18
Amortization of discount on sukuk	(3)	(2)
Allowance of impairment on contribution and retakaful/ reinsurance receivables	(120)	(70)
Provision for employees' end-of-service benefits	936	761
	4,445	(12,884)
Changes in operating assets and liabilities:		
Contributions and retakaful/ reinsurance receivables, net	(8,597)	1,037
Short term deposits	59,998	66,277
Retakaful/ reinsurance share of unearned contributions	2,221	(4,834)
Retakaful/ reinsurance share of outstanding claims	(37,035)	(12,430)
Deferred policy acquisition costs	710	(95)
Available-for-sale investments	(37,233)	13,737
Prepaid expenses and other assets	383	(4,134)
Accrued and other liabilities	(895)	2,192
Retakaful/ reinsurance balances payable	(4,489)	17,548
Unearned contributions	(4,043)	4,262
Unearned retakaful/ reinsurance commission	19	1,072
Gross outstanding claims	39,351	15,013
Unexpired risk reserve	(4,419)	(598)
Non-unit reserve	(4,934)	2,020
Reserve for takaful activities	37,212	(13,737)
	42,694	74,446
Employees' end-of-service benefits paid	(447)	(285)
Zakat and income tax paid	(5,393)	(24)
Net cash from operating activities	36,854	74,137
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of held-to-maturity investments	(20,076)	-
Income received from sukuk	2,016	2,066
Purchase of intangible assets	-	(483)
Net cash (used in) / from investing activities	(18,060)	1,583

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED) (continued)
For the six-month period ended 30 June 2021

		<i>Six months ended 30 June 2021 SAR'000</i>	<i>Six months ended 30 June 2020 SAR'000</i>
	<i>Note</i>		
Net change in cash and cash equivalents		18,794	75,720
Cash and cash equivalents, at the beginning of the period	5	68,215	146,986
Cash and cash equivalents, at the end of the period	5	87,009	222,706
Non-cash supplemental information:			
Net change in fair value of available-for-sale investments		40,033	(9,235)
Net change in fair value of available-for-sale investments in local equity shares		20	(549)

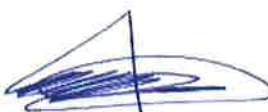
Naji AlMustafa


Chief Financial Officer

Hussam Alkhayal


Chief Executive Officer

Mohammad Alshayea


Chairman

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

1. ORGANISATION AND PRINCIPAL ACTIVITIES

SABB Takaful Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010234032 dated 20 Jumad Awal 1428H (corresponding to 6 June 2007). The Company is listed on Saudi Stock Exchange 'Tadawul'. The address of the registered office of the Company is P. O. Box 9086, Riyadh 11413, Kingdom of Saudi Arabia.

The purpose of the Company is to transact takaful operations and all related activities. Its principal lines of business include Individual Family (Protection and Savings – Individual), Group Family (Protection and Savings – Group) and General Takaful products. The Company operates only in the Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION, BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS AND RISK MANAGEMENT POLICIES

(a) Basis of presentation and measurement

The interim condensed financial statements of the Company as at and for the three and six-months periods ended 30 June 2021 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

These interim condensed financial statements have been prepared under the going concern basis and the historical cost convention, except for unit-linked available-for-sale investments measured at fair value, end of service benefits and reserves for takaful activities are carried at present values using the actuarial valuation. Equity investments classified as available-for-sale investments are carried at closing market value.

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it will be able to continue as a going concern in the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the interim condensed financial statements have been prepared on the going concern basis.

The interim condensed statement of financial position is not presented using a current/non-current classification. However, the following items would generally be classified as non-current such as held-to-maturity investments, fixed assets, intangible assets, statutory deposit and provision for employees' end-of-service benefits. All other financial statement line items would generally be classified as current.

The Company presents its interim condensed statement of financial position in order of liquidity. As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for takaful operations and shareholders' operations and presents the financial statements accordingly (Note 13). Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

The interim condensed statement of financial position, interim condensed statements of income, comprehensive income and cash flows of the takaful operations and shareholders' operations which are presented in Note 13 of the interim condensed financial statements have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations and is not required under IFRSs. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders' operations. Accordingly, the interim condensed statements of financial position, interim condensed statements of income, comprehensive income and cash flows prepared for the takaful operations and shareholders' operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

2. BASIS OF PREPARATION, BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS AND RISK MANAGEMENT POLICIES (continued)

(a) Basis of presentation and measurement (continued)

In preparing the Company-level interim condensed financial statements in compliance with IFRS, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Inter-operation balances, transactions and unrealised gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholders' operations are uniform for like transactions and events in similar circumstances.

The interim condensed financial statements does not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as of and for the year ended 31 December 2020.

(b) Critical accounting judgments, estimates and assumptions

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

In preparing this interim condensed financial statements, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2020. However, the Company has reviewed the key sources of estimation uncertainties disclosed in the last annual financial statements against the backdrop of the COVID-19 pandemic. For further details, refer to the note below to these interim condensed financial statements. Management will continue to assess the situation, and reflect any required changes in future reporting periods.

(c) Impact of covid-19 on the technical reserves and financial assets

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are experiencing a "second wave" of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Kingdom of Saudi Arabia ("the Government") however has managed to successfully control the outbreak to date, owing primarily to the effective measures taken by the Government, following which the Government has now ended the lockdowns and has begun taking phased measures to normalization. Recently, number of COVID-19 vaccines have been approved for mass distribution by various governments around the world. The Government has also approved a vaccine which is currently available for healthcare workers and certain other categories of people and it will be available to the masses in general during 2021. Despite the fact that there are some uncertainties around the COVID-19 vaccine such as how long the immunity last, whether vaccine will prevent transmission or not etc.; however, the testing results showed exceptionally high success rates. Hence, the Company continues to be cognizant of both the micro and macroeconomic challenges that COVID-19 has posed, the teething effects of which may be felt for some time, and is closely monitoring its operations at a granular level.

The liquidity and solvency positions of the Company remain strong as at the date of issuing these interim condensed financial statements.

Notwithstanding these challenges, management believes that the technical reserves on life takaful business remains largely unaffected as the overall mortality due to COVID-19 in the Kingdom of Saudi Arabia is very low.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

2. BASIS OF PREPARATION, BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS AND RISK MANAGEMENT POLICIES (continued)

(c) Impact of covid-19 on the technical reserves and financial assets (continued)

To cater for any potential impacts, the COVID-19 pandemic may have had on the financial assets of the Company, the Company has performed an assessment in accordance with its accounting policy, to determine whether there is an objective evidence that a financial asset or a group of financial assets has been impaired. For debt financial assets, these include factors such as, significant financial difficulties of issuers or debtors, default or delinquency in payments, probability that the issuer or debtor will enter bankruptcy or other financial reorganization, etc. In case of equities classified under available-for-sale, the Company has performed an assessment to determine whether there is a significant or prolonged decline in the fair value of financial assets below their cost.

Based on these assessments, the Company's management believes that the COVID-19 pandemic has had no material effects on Company's reported results for the three and six-month periods ended 30 June 2021. The Company's management continues to monitor the situation closely.

(d) Significant accounting policies

The accounting policies, estimates and assumptions used in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2020, except for the new standards and adoption of the amendments to existing standards which have had either insignificant effect or no financial impact on the interim condensed financial statements of the Company on the current period or prior periods and are expected to have a insignificant effect in future period.

Standards issued but not yet effective

The Company has chosen not to early adopt the following new standards which have been issued but not yet effective for the Company's accounting year beginning on 1 January 2021 and is currently assessing their impact:

IFRS 17 - "Insurance Contracts"

Overview

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

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

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

2. BASIS OF PREPARATION, BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS AND RISK MANAGEMENT POLICIES (continued)

(d) Significant accounting policies (continued)

Standards issued but not yet effective (continued)

Measurement

In contrast to the requirements in IFRS 4, which permitted insurers to continue to use the accounting policies for measurement purposes that existed prior to January 2005, IFRS 17 provides the following different measurement models:

The General Measurement Model (GMM) is based on the following “building blocks”:

(a) the fulfilment cash flows (FCF), which comprise:

- probability-weighted estimates of future cash flows,
- an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows,
- and a risk adjustment for non-financial risk;

(b) the Contractual Service Margin (CSM).

The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately. At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:

- the liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date; and
- the liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.

The CSM is adjusted subsequently for changes in cash flows related to future services. Since the CSM cannot be negative, changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss.

The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.

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

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

2. BASIS OF PREPARATION, BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS AND RISK MANAGEMENT POLICIES (continued)

(d) Significant accounting policies (continued)

Standards issued but not yet effective (continued)

Effective date

The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4, is currently 1 January 2023, and will supersede IFRS 4 "Insurance Contracts". Earlier adoption permitted if both IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" have also been applied. The Company expects a material impact on measurement and disclosure of insurance and reinsurance that will affect both the statement of income and the statement of financial position. The Company has decided not to early adopt this new standard.

Transition

Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

Presentation and Disclosures

The Company expects that the new standard will result in a change to the accounting policies for insurance contracts together with amendments to presentation and disclosures.

Impact

The Company is currently in design phase of IFRS 17 implementation which requires developing and designing new processes and procedures for the business including any system developments required under IFRS 17 and detailed assessment of business requirements. Following are the main areas under design phase and status of the progress made so far by the Company:

Impact Area

Summary of Impact

Governance and control framework

The Company has put in place a comprehensive IFRS 17 governance program which includes establishing oversight steering committee for monitoring the progress of implementation and assigning roles and responsibilities to various stakeholders.

Operational area

The Company is in progress of designing operational aspects of the design phase which includes establishing comprehensive data policy and data dictionary. Also the Company is finalizing architectural designs for various sub-systems. The Company has progressed through assessment of business requirements and currently working on vendor selection while finalizing various process needed for transition and assessment of new resources needed.

Technical and financial area

The Company has completed various policy papers encompassing various technical and financial matters after concluding on policy decisions required under the IFRS 17 standard. The policy decisions are taken after due deliberations among various stakeholders. Currently majority of policy papers have been approved by the Company's IFRS 17 project steering committee.

Assurance plan

The Company is working along with other stakeholders to finalize the assurance plan for transitional and post-implementation periods.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

2. BASIS OF PREPARATION, BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS AND RISK MANAGEMENT POLICIES (continued)

Standards issued but not yet effective (continued)

The Company undertook a gap analysis in 2019 and the key areas of gaps are summarised below, however, these gaps continue to be explored further as part of the IFRS17 implementation project.

<u>Impact Area</u>	<u>Summary of Impact</u>
Financial Impact	<p>The extent of differences in the profit emergence pattern and overall financial results of the Company is dependent on a number of factors such as:</p> <ul style="list-style-type: none"> ▪ The current accounting policy allows for the netting off of loss-making contracts against profitable. The separation of onerous and non-onerous contracts, and subsequently the different accounting treatment of the loss component vs CSM may result in significant differences in SABB's profit emergence compared to current profile. ▪ The choice of transition approach will result in differences in the future profit streams.
Data Impact	<p>Data storage capabilities will need to be developed or significantly enhanced to host capabilities for storing input data from source systems and a dedicated results storage capability.</p> <p>In addition, the standard requires that retrospective application is applied unless this is impracticable. The data required for transition (historical data) to perform full or modified retrospective calculations has been determined to mostly be available. However, the process to determining these historical balances is expected to be challenging especially due to the manual nature of historical models and the data maintenance processes which have mostly been Excel driven.</p>
IT Systems	<p>The calculation routines and data storage capabilities required under IFRS17 (for the general model and variable fee approach in particular) are significantly more complex than current reporting regimes. The existing models are unlikely to be sufficient in the long-term to meet the demands of IFRS17 and may not meet governance requirements which will be important given the granularity of information required.</p> <p>A CSM engine as well as new models will be required.</p>
Process Impact	<p>New processes that support IFRS17 reporting will be required. These will cover such areas as grouping decisions, initial calculation, subsequent measurement, unlocking of the Contractual Service Margin (CSM), as well as risk adjustment calculations.</p>

IFRS 9 - "Financial instruments"

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

(i) Classification and measurement:

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

2. BASIS OF PREPARATION, BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS AND RISK MANAGEMENT POLICIES (continued)

(d) Significant accounting policies (continued)

Standards issued but not yet effective (continued)

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

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

Assets not meeting either of these categories are measured at fair value through profit or loss. Additionally, at initial recognition, an entity can use the option to designate a ` at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

For equity instruments that are not held for trading, an entity can also make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the instruments (including realized gains and losses), dividends being recognized in profit or loss.

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

(ii) Impairment:

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

(iii) Hedge accounting:

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

2. BASIS OF PREPARATION, BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS AND RISK MANAGEMENT POLICIES (continued)

(d) Significant accounting policies (continued)

Standards issued but not yet effective (continued)

Effective date

The published effective date of IFRS 9 was 1st January 2018. However, amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts, published on 12th September 2016, changes the existing IFRS 4 to allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 before the IASB's new insurance contract standard (IFRS 17 – Insurance Contracts) becomes effective. The amendments introduce two alternative options:

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

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

(e) Functional and presentation currency

The functional and presentational currency of the Company is Saudi Riyals. The interim condensed financial statements values are presented in Saudi Riyals rounded to the nearest thousand (SAR'000), unless otherwise indicated.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

3. INVESTMENTS

(a) Investments comprise available-for-sale and held-to-maturity investments. An analysis of the investments is set out below:

30 June 2021			
SAR'000 (Unaudited)			
	Takaful Operations	Shareholders' Operations	Total
<i>Available-for-sale investments – Quoted</i>			
Investment in Amanah Mutual Funds – note 3(c)	443,849	-	443,849
Investment in local equity shares – note 3(d)	-	7,005	7,005
	443,849	7,005	450,854
<i>Held-to-maturity investments – Unquoted – note 3(b)</i>			
General Authority of Civil Aviation Sukuk (GACA – I)	-	50,568	50,568
Bank AlBilad Sukuk	-	20,047	20,047
Ministry of Finance Sukuk (MOF-I)	-	10,159	10,159
Ministry of Finance Sukuk (MOF-II)	-	10,434	10,434
Ministry of Finance Sukuk (MOF-III)	-	20,090	20,090
Ministry of Finance Sukuk (MOF-IV)	-	25,133	25,133
Ministry of Finance Sukuk (MOF-V)	4,945	-	4,945
Ministry of Finance Sukuk (MOF-VI)	4,945	-	4,945
Ministry of Finance Sukuk (MOF-VII)	-	20,281	20,281
	9,890	156,712	166,602
Total investments	453,739	163,717	617,456

31 December 2020			
SAR'000 (Audited)			
	Takaful Operations	Shareholders' Operations	Total
<i>Available-for-sale investments – Quoted</i>			
Investment in Amanah Mutual Funds – note 3(c)	406,636	-	406,636
Investment in local equity shares – note 3(d)	-	6,985	6,985
	406,636	6,985	413,621
<i>Held-to-maturity investments – Unquoted – note 3(b)</i>			
General Authority of Civil Aviation Sukuk (GACA – I)	-	50,050	50,050
Bank AlBilad Sukuk	-	20,573	20,573
Ministry of Finance Sukuk (MOF-I)	-	10,159	10,159
Ministry of Finance Sukuk (MOF-II)	-	10,448	10,448
Ministry of Finance Sukuk (MOF-III)	-	20,087	20,087
Ministry of Finance Sukuk (MOF-IV)	-	25,134	25,134
Ministry of Finance Sukuk (MOF-V)	4,944	-	4,944
Ministry of Finance Sukuk (MOF-VI)	4,944	-	4,944
	9,888	136,451	146,339
Total investments	416,524	143,436	559,960

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

3. INVESTMENTS (continued)

Available-for-sale investments in takaful operations represent investments in units of mutual funds managed by HSBC Saudi Arabia Limited, being a related party of the Company.

All the held-to-maturity investments are un-quoted as well as domestic in nature. The maturity profile of held-to-maturity investments is as follows:

<i>Maturity profile</i>	<i>Maturity date</i>
- General Authority of Civil Aviation Sukuk (GACA - I)	18 January 2022
- Bank AlBilad Sukuk	30 August 2021
- Ministry of Finance Sukuk (MOF-I)	23 January 2024
- Ministry of Finance Sukuk (MOF-II)	23 January 2029
- Ministry of Finance Sukuk (MOF-III)	23 March 2025
- Ministry of Finance Sukuk (MOF-IV)	23 March 2030
- Ministry of Finance Sukuk (MOF-V)	23 March 2025
- Ministry of Finance Sukuk (MOF-VI)	23 March 2025
- Ministry of Finance Sukuk (MOF-VII)	21 January 2028

(b) The fair value of held-to-maturity investments as at 30 June 2021 was SAR 166.96 million (31 December 2020: SAR 146.65 million).

(c) The movement in the available-for-sale investments held to cover unit-linked liabilities was as follows:

	<i>30 June 2021 (Unaudited) SAR'000</i>	<i>31 December 2020 (Audited) SAR'000</i>
Opening balance	406,636	376,834
Purchased during the period/ year	46,450	83,517
Sold during the period/ year	(49,270)	(83,935)
	403,816	376,416
Net change in fair values of investments	40,033	30,220
	443,849	406,636

(d) Available- for-sale investments - Investment in local equity shares

The movements in the available-for-sale investments in local equity shares were as follows:

	<i>30 June 2021 (Unaudited) SAR'000</i>	<i>31 December 2020 (Audited) SAR'000</i>
Balance as at the beginning of the period/ year	6,985	7,035
Purchased during the period/ year	-	-
	6,985	7,035
Net change in fair values of investments	20	(50)
Balance as at the end of the period/ year	7,005	6,985

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

3. INVESTMENTS (continued)*(d) Available-for-sale investments - Investment in local equity shares (continued)*

The Company uses the following hierarchy methods for determining and disclosing the fair value of investments at the reporting period end:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The Company's available-for-sale and held to maturity investments are classified under Level 1 and Level 3 hierarchy respectively.

4. CONTRIBUTIONS AND RETAKAFUL RECEIVABLES, NET

	30 June 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000
Policyholders	15,322	19,196
Retakaful / reinsurance companies	22,975	1,422
Due from The Saudi British Bank (SABB Bank) – parent of the Company	16,826	26,028
	55,123	46,646
Provision for impairment	(1,266)	(1,386)
	53,857	45,260

Balances receivables from a shareholder is 31 % (31 December 2020: 56 %) of the gross receivables and the Company does not foresee any credit risk as the SABB Bank has very good credit rating.

5. CASH AND CASH EQUIVALENTS

	30 June 2021 (Unaudited) SAR'000		
	Takaful Operations	Shareholders' Operations	Total
Bank balances	10,239	31,318	41,557
Murabaha deposits	-	45,452	45,452
	10,239	76,770	87,009

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

5. CASH AND CASH EQUIVALENTS (continued)

	31 December 2020 (Audited)		
	SAR'000		
	<i>Takaful Operations</i>	<i>Shareholders' Operations</i>	<i>Total</i>
Bank balances	11,972	752	12,724
Murabaha deposits	-	55,491	55,491
	<u>11,972</u>	<u>56,243</u>	<u>68,215</u>

Bank balances are maintained with SABB Bank, a shareholder of the Company.

6. OUTSTANDING CLAIMS INCLUDING INCURRED BUT NOT REPORTED "IBNR" AND OTHER RESERVES

	30 June 2021 (Unaudited)		
	<i>Gross SAR'000</i>	<i>Retakaful / reinsurance share SAR'000</i>	<i>Net SAR'000</i>
Family Takaful outstanding claims			
- Outstanding claims reserves	28,025	(21,682)	6,343
- Incurred but not reported reserve and other reserves	31,972	(24,446)	7,526
General Takaful outstanding claims			
- Outstanding claims reserves	59,912	(56,504)	3,408
- Incurred but not reported reserve and other reserves	12,453	(8,397)	4,056
Total	<u>132,362</u>	<u>(111,029)</u>	<u>21,333</u>

	31 December 2020 (Audited)		
	<i>Gross SAR'000</i>	<i>Retakaful / reinsurance share SAR'000</i>	<i>Net SAR'000</i>
Family Takaful outstanding claims			
- Outstanding claim reserves	32,254	(25,273)	6,981
- Incurred but not reported reserve and other reserves	26,824	(21,578)	5,246
General Takaful outstanding claims			
- Outstanding claim reserves	24,374	(21,484)	2,890
- Incurred but not reported reserve and other reserves	9,559	(5,659)	3,900
Total	<u>93,011</u>	<u>(73,994)</u>	<u>19,017</u>

The gross outstanding claims include SAR 42.3 million as at 30 June 2021 (As at 31 December 2020: SAR 46.4 million) payable to the Parent Company.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

7. RESERVE FOR TAKAFUL ACTIVITIES, NET UNEARNED CONTRIBUTION INCOME AND OTHER RESERVES*(a) Movement in reserve for takaful activities*

	<i>Six months ended 30 June 2021 (Unaudited) SAR'000</i>	<i>Year ended 31 December 2020 (Audited) SAR'000</i>
Balance as at the beginning of the period/year	406,636	376,834
Changes in reserve during the period/year	6,454	16,378
Planholder charges	(9,275)	(16,796)
Net change in fair value of investments	40,033	30,220
Balance as at the end of the period/year	443,848	406,636

The reserve for takaful activities represents the unit linked takaful plan reserve.

(b) Movement in net unearned contribution

	<i>For the six months ended 30 June 2021 (Unaudited)</i>		
	<i>Gross SAR'000</i>	<i>Retakaful / reinsurance share SAR'000</i>	<i>Net SAR'000</i>
Balance as at the beginning of the period	34,283	(25,527)	8,756
Contribution written during the period	55,037	(40,695)	14,342
Contribution earned during the period	(59,080)	42,916	(16,164)
Balance as at the end of the period	30,240	(23,306)	6,934

	<i>For the year ended 31 December 2020 (Audited)</i>		
	<i>Gross SAR'000</i>	<i>Retakaful / reinsurance share SAR'000</i>	<i>Net SAR'000</i>
Balance as at the beginning of the year	15,703	(10,946)	4,757
Contribution written during the year	118,163	(90,531)	27,632
Contribution earned during the year	(99,583)	75,950	(23,633)
Balance as at the end of the year	34,283	(25,527)	8,756

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

7. RESERVE FOR TAKAFUL ACTIVITIES, NET UNEARNED CONTRIBUTION INCOME AND OTHER RESERVES (continued)

(c) Non-unit reserve

As at 30 June 2021, the Company has recorded a non-unit reserve of SAR 2.67 million (31 December 2020: SAR 7.61 million) pertaining to the individual family segment. The reserve is calculated based on the present value of future assumed expenses less the present value of future income arising from charges on all individual family policies.

(d) Unexpired risk reserve

This reserve comprises of premium deficiency reserve of SAR 3.14 million (31 December 2020: SAR 6.02 million) and SAR 1.28 million (31 December 2020: SAR 2.81 million) pertaining to group family and general takaful segments respectively.

8. SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, business segments have been approved by management in respect of the Company's activities. The Company's gross written contribution, net written contribution and planholder charges, net contributions earned and planholder charges, fees and commission income, net claims incurred, surrenders and maturities, policy acquisition costs and other related costs, underwriting surplus, investment income, general and administrative expenses, net surplus/ (deficit), surplus/ (loss) from takaful operations, net profit, purchase of intangible assets and motor vehicle, amortisation, depreciation, intangible assets, available for sale investments, contribution receivables - net, retakaful share of outstanding claims and unearned contributions, deferred policy acquisition costs, total assets, reserve for takaful activities, gross unearned contributions and commission income, gross outstanding claims and total liabilities, by business segment, are stated below.

Segment assets do not include retakaful balances receivable, prepayments and other receivables, due from shareholders and cash and cash equivalents. Accordingly, they are included in unallocated assets.

Segment liabilities do not include provision for employees' end-of-service benefits, surplus distribution payable, retakaful balances payable, payables, accruals and others and due to shareholders. Accordingly, they are included in unallocated liabilities.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

8. SEGMENTAL INFORMATION (continued)

	<i>Shareholders' Operations</i> <i>SAR'000</i>	<i>Individual Family (Protection & Savings)</i> <i>SAR'000</i>	<i>Group Family (Protection & Savings)</i> <i>SAR'000</i>	<i>General Takaful</i> <i>SAR'000</i>	<i>Total</i> <i>SAR'000</i>
For the three month period ended 30 June 2021 (Unaudited)					
Gross contributions written	-	21,000	15,730	10,373	47,103
Net contributions written	-	25,328	5,124	2,213	32,665
Net contributions earned	-	25,328	6,239	2,563	34,130
Fees and commission income	-	-	-	2,528	2,528
Other underwriting income	-	-	-	(114)	(114)
Total revenue	-	25,328	6,239	4,977	36,544
Net claims and other benefits incurred	-	(19,288)	(4,638)	(784)	(24,710)
Changes in reserve for takaful activities	-	(1,341)	-	-	(1,341)
Changes in non-unit reserve	-	1,806	-	-	1,806
Changes in unexpired risk reserve	-	-	1,027	1,598	2,625
Policy acquisition costs	-	(503)	(2,550)	(1,525)	(4,578)
Net underwriting income for the period	-	6,002	78	4,266	10,346
General and administrative expenses	(1,041)	(2,738)	(2,678)	(2,788)	(9,245)
Rebate income	-	405	-	-	405
Income from deposits	576	8	16	16	616
Income from sukuk	1,002	28	27	-	1,057
Dividend income	70	-	-	-	70
Total income /(loss) for the period before attribution and zakat and tax	607	3,705	(2,557)	1,494	3,249
Amortisation	193	-	-	-	193
Depreciation	-	-	-	-	-

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

8. SEGMENTAL INFORMATION (continued)

	<i>Shareholders' Operations SAR'000</i>	<i>Individual Family (Protection & Savings) SAR'000</i>	<i>Group Family (Protection & Savings) SAR'000</i>	<i>General Takaful SAR'000</i>	<i>Total SAR'000</i>
For the six month period ended 30 June 2021 (Unaudited)					
Gross contributions written	-	46,449	30,813	24,224	101,486
Net contributions written	-	55,283	9,798	4,544	69,625
Net contributions earned	-	55,283	12,113	4,050	71,446
Fees and commission income	-	-	-	4,303	4,303
Other underwriting income	-	-	-	108	108
Total revenue	-	55,283	12,113	8,461	75,857
Net claims and other benefits incurred	-	(40,191)	(8,242)	(2,556)	(50,989)
Changes in reserve for takaful activities	-	(6,454)	-	-	(6,454)
Changes in non-unit reserve	-	4,935	-	-	4,935
Changes in unexpired risk reserve	-	-	2,889	1,530	4,419
Policy acquisition costs	-	(1,133)	(5,000)	(2,650)	(8,783)
Net underwriting income for the period	-	12,440	1,760	4,785	18,985
General and administrative expenses	(2,605)	(5,221)	(5,641)	(4,438)	(17,905)
Rebate income	-	760	-	-	760
Income from deposits	1,171	17	35	34	1,257
Income from sukuk	1,980	55	55	-	2,090
Dividend income	140	-	-	-	140
Total income/ (loss) for the period before attribution and zakat and tax	686	8,051	(3,791)	381	5,327
Amortisation	296	-	-	-	296
Depreciation	1	2	3	3	8

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

8. SEGMENTAL INFORMATION (continued)

	<i>Shareholders' Operations</i> <i>SAR'000</i>	<i>Individual Family (Protection & Savings)</i> <i>SAR'000</i>	<i>Group Family (Protection & Savings)</i> <i>SAR'000</i>	<i>General Takaful</i> <i>SAR'000</i>	<i>Total</i> <i>SAR'000</i>
As at 30 June 2021 (Unaudited)					
<u>Assets</u>					
Cash and cash equivalents	76,770	7,768	715	1,756	87,009
Short term deposits	35,317	5,006	10,012	10,012	60,347
Contributions and retakaful / reinsurance receivables, net	-	250	40,095	13,512	53,857
Retakaful / reinsurance share of unearned contributions	-	-	4,494	18,812	23,306
Retakaful / reinsurance share of outstanding claims including IBNR	-	558	45,570	64,901	111,029
Deferred policy acquisition costs	-	-	1,046	2,191	3,237
Available-for-sale investments	7,006	443,848	-	-	450,854
Held-to-maturity investments	156,712	4,945	4,945	-	166,602
Statutory deposit	34,000	-	-	-	34,000
Unallocated assets					9,912
Total assets					1,000,153
<u>Liabilities</u>					
Retakaful / reinsurance balances payable	-	676	1,725	18,124	20,525
Unearned contributions	-	-	8,073	22,167	30,240
Unearned retakaful / reinsurance commission	-	-	-	4,741	4,741
Gross outstanding claims including IBNR	-	1,802	58,196	72,364	132,362
Unexpired risk reserve	-	-	3,136	1,281	4,417
Non-unit reserve	-	2,673	-	-	2,673
Provision for employees' end-of-service benefits	17	2,661	1,989	1,767	6,434
Reserve for takaful activities	-	443,848	-	-	443,848
Unallocated liabilities					55,368
Total liabilities					700,608

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

8. SEGMENTAL INFORMATION (continued)

	Shareholders' Operations SAR'000	Individual Family (Protection & Savings) SAR'000	Group Family (Protection & Savings) SAR'000	General Takaful SAR'000	Total SAR'000
For the three month period ended 30 June 2020 (Unaudited)					
Gross contributions written	-	17,658	15,435	12,149	45,242
Net contributions written	-	21,286	3,919	1,574	26,779
Net contributions earned	-	21,286	4,296	1,965	27,547
Fees and commission income	-	-	-	1,763	1,763
Other underwriting income	-	-	-	1,999	1,999
Total revenue	-	21,286	4,296	5,727	31,309
Net claims and other benefits incurred	-	(16,824)	(1,940)	(1,667)	(20,431)
Changes in reserve for takaful activities	-	(546)	-	-	(546)
Changes in non-unit reserve	-	115	-	-	115
Changes in unexpired risk reserve	-	-	248	1,944	2,192
Policy acquisition costs	-	(348)	(2,410)	(1,030)	(3,788)
Net underwriting income for the period	-	3,683	194	4,974	8,851
General and administrative expenses	(1,125)	(4,461)	(3,479)	(3,492)	(12,557)
Rebate income	-	330	-	-	330
Income from deposits	686	16	31	31	764
Income from sukuk	955	46	46	-	1,047
Dividend income	70	-	-	-	70
Total income /(loss) for the period before attribution and zakat and tax	586	(386)	(3,208)	1,513	(1,495)
Purchase of intangibles	377	-	-	-	377
Amortisation	213	-	-	-	213
Depreciation	18	-	-	-	18

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

8. SEGMENTAL INFORMATION (continued)

	Shareholders' Operations SAR'000	Individual Family (Protection & Savings) SAR'000	Group Family (Protection & Savings) SAR'000	General Takaful SAR'000	Total SAR'000
For the six month period ended 30 June 2020 (Unaudited)					
Gross contributions written	-	39,343	30,838	21,955	92,136
Net contributions written	-	47,141	7,840	3,348	58,329
Net contributions earned	-	47,141	8,698	3,062	58,901
Fees and commission income	-	-	-	2,402	2,402
Other underwriting income	-	-	-	1,999	1,999
Total revenue	-	47,141	8,698	7,463	63,302
Net claims and other benefits incurred	-	(35,797)	(2,626)	(3,257)	(41,680)
Changes in reserve for takaful activities	-	(3,763)	-	-	(3,763)
Changes in non-unit reserve	-	(2,020)	-	-	(2,020)
Changes in unexpired risk reserve	-	-	561	37	598
Policy acquisition costs	-	(884)	(4,828)	(1,538)	(7,250)
Net underwriting income for the period	-	4,677	1,805	2,705	9,187
General and administrative expenses	(1,959)	(8,926)	(8,088)	(6,746)	(25,719)
Rebate income	-	660	-	-	660
Income from deposits	1,622	41	82	82	1,827
Income from sukuk	1,903	74	74	-	2,051
Dividend income	85	-	-	-	85
Total income /(loss) for the period before attribution and zakat and tax	1,651	(3,474)	(6,127)	(3,959)	(11,909)
Purchase of intangibles	483	-	-	-	483
Amortisation	352	-	-	-	352
Depreciation	35	-	-	-	35

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

8. SEGMENTAL INFORMATION (continued)

	Shareholders ' Operations SAR'000	Individual Family (Protection & Savings) SAR'000	Group Family (Protection & Savings) SAR'000	General Takaful SAR'000	Total SAR'000
As at 31 December 2020 (Audited)					
(Restated)					
Assets					
Cash and cash equivalents	56,243	7,357	2,459	2,156	68,215
Short term deposits	95,308	5,007	10,015	10,015	120,345
Contributions and retakaful / reinsurance receivables, net	-	-	23,407	21,853	45,260
Retakaful / reinsurance share of unearned contributions	-	-	5,625	19,902	25,527
Retakaful / reinsurance share of outstanding claims	-	821	46,030	27,143	73,994
Deferred policy acquisition costs	-	-	1,545	2,402	3,947
Available-for-sale investments	6,985	406,636	-	-	413,621
Held-to-maturity investments	136,451	4,944	4,944	-	146,339
Statutory deposit	34,000	-	-	-	34,000
Unallocated assets					10,411
Total assets					941,659
Liabilities					
Retakaful / reinsurance balances payable	-	488	2,987	21,539	25,014
Unearned contributions	-	-	11,518	22,765	34,283
Unearned retakaful / reinsurance commission	-	-	-	4,722	4,722
Gross outstanding claims including IBNR	-	3,048	56,030	33,933	93,011
Unexpired risk reserve	-	-	6,024	2,812	8,836
Non-unit reserve	-	7,607	-	-	7,607
Provision for employees' end-of-service benefits	-	2,586	1,964	1,766	6,316
Reserve for takaful activities	-	406,636	-	-	406,636
Unallocated liabilities					57,891
Total liabilities					644,316

All of the Company's operating assets and principal activities are located in the Kingdom of Saudi Arabia.

For the three-month period ended 30 June 2021 (Unaudited)	Protection & Savings SAR'000	Property & Casualty SAR'000	*Motor SAR'000	Total SAR'000
Gross written contribution				
Individual	21,000	73	-	21,073
Micro enterprises	-	-	-	-
Small enterprises	12	934	-	946
Medium enterprises	81	5,309	-	5,390
Large enterprises	15,637	4,057	-	19,694
	36,730	10,373	-	47,103

*As of date, the Company does not have approval to underwrite Motor product.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

8. SEGMENTAL INFORMATION (continued)

For the six-month period ended 30 June 2021 (Unaudited)	Protection & Savings SAR'000	Property & Casualty SAR'000	*Motor SAR'000	Total SAR'000
Gross written contribution				
Individual	46,449	175	-	46,624
Micro enterprises	-	-	-	-
Small enterprises	39	3,211	-	3,250
Medium enterprises	217	10,030	-	10,247
Large enterprises	30,557	10,808	-	41,365
	77,262	24,224	-	101,486

*As of date, the Company does not have approval to underwrite Motor product.

For the three-month period ended 30 June 2020 (Unaudited)	Protection & Savings SAR'000	Property & Casualty SAR'000	*Motor SAR'000	Total SAR'000
Gross written contribution				
Individual	17,658	77	-	17,735
Micro enterprises	-	-	-	-
Small enterprises	-	736	-	736
Medium enterprises	84	2,788	-	2,872
Large enterprises	15,351	8,548	-	23,899
	33,093	12,149	-	45,242

*As of date, the Company does not have approval to underwrite Motor product.

For the six-month period ended 30 June 2020 (Unaudited)	Protection & Savings SAR'000	Property & Casualty SAR'000	*Motor SAR'000	Total SAR'000
Gross written contribution				
Individual	39,343	156	-	39,499
Micro enterprises	-	-	-	-
Small enterprises	11	2,739	-	2,750
Medium enterprises	264	3,140	-	3,404
Large enterprises	30,563	15,920	-	46,483
	70,181	21,955	-	92,136

*As of date, the Company does not have approval to underwrite Motor product.

9. BASIC INCOME / (LOSS) PER SHARE

Income / (loss) per share amounts are calculated by dividing the net income / (loss) for the period attributable to ordinary shareholders after zakat and tax of the Company by the weighted average number of ordinary shares outstanding during the period as follows:

	Six months ended 30 June 2021 SAR'000 (Unaudited)	Six months ended 30 June 2020 SAR'000 (Unaudited)
Net profit / (loss) for the period attributable to the shareholders after zakat and tax (SAR'000)	1,839	(14,358)
Weighted average number of ordinary shares (Number in thousands)	34,000	34,000
Income / (loss) per share (SAR)	0.05	(0.42)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

10. RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's Board of Directors.

(a) Transactions with related parties

The summary of major related party transactions is as follows:

	<i>Six months ended 30 June 2021</i> <i>SAR'000</i> <i>(Unaudited)</i>	<i>Six months ended 30 June 2020</i> <i>SAR'000</i> <i>(Unaudited)</i>
The Saudi British Bank <i>(a shareholder of the Company)</i>		
Contributions	29,402	33,246
Claims paid	(36,699)	(13,343)
Other expenses		
- IT maintenance cost and related expenses	(1,691)	(1,428)
Investment income on murabaha deposits	-	46
Other entities controlled, jointly controlled or significantly influenced by related parties		
Policy acquisition costs paid	(2,643)	(1,502)
HSBC Saudi Arabia Limited – IBSA		
Contributions	-	1,168
Rebate on unit-linked investments	760	660

Other expenses include costs for various services under a management agreement between The Saudi British Bank and the Company. As per the agreement, The Saudi British Bank will provide operational services to the Company including use of fixed assets and IT infrastructure at a consideration mutually agreed between the parties.

(b) Compensation of key management personnel

Key management personnel of the Company include all directors, executive and non-executive, and senior management. The summary of compensation of key management personnel for the period is as follows:

	<i>Six months ended 30 June 2021</i> <i>SAR'000</i> <i>(Unaudited)</i>		<i>Six months ended 30 June 2020</i> <i>SAR'000</i> <i>(Unaudited)</i>	
	<i>Takaful Operations</i>	<i>Shareholders' Operations</i>	<i>Takaful Operations</i>	<i>Shareholders' Operations</i>
Salaries and other benefits including end-of-service benefits	2,504	-	3,215	-
Directors' remuneration and other benefits	-	678	-	744
Number of key management personnel	5	7	5	6

11. ZAKAT AND TAX***Status of Assessment***

During the quarter ended 31 March 2015, the Zakat, Tax and Customs Authority (ZATCA) (previously General Authority of Zakat and Tax) issued the final tax certificates for the years from 2008 to 2010.

On 27 November 2018, ZATCA has issued the tax/zakat assessments for the years ended 31 December 2011 to 2014. The Company filed an objection against the ZATCA assessment. The ZATCA rejected the objection and the Company filed an appeal before the General Secretariat of Tax Committees (GSTC). The ZATCA submitted its viewpoints to the GSTC in which it has accepted the Company's claim on deferred policy acquisition cost. Other contentions were rejected. The Company submitted its counter claim on the same. The appeal is pending before the GSTC and the GSTC is yet to schedule a hearing. The management believes that the Company is in a strong position in the appeal filed as mainly it relates to matters already decided in Company's favour in earlier appeals relating to previous assessments (2007-2010).

In 2019, the ZATCA issued the tax/zakat assessment for the year ended 31 December 2018. The Company filed an objection against the ZATCA assessment. The ZATCA studied the case and issued a revised assessment in April 2020. In the revised assessment, ZATCA has accepted Company's view point with respect to withholding tax matters. For other zakat matters, with net zakat impact of around SAR 0.9 million, the Company filed an appeal before the GSTC. The management strongly believes that the Company is in a strong position with respect to the aforementioned appeal.

In 2020, the ZATCA raised the final assessments for the years ended 31 December 2015 to 2017. Considering materiality of the assessments, the Company settled additional zakat liabilities for 2015 and 2016 "under protest" and filed an objection against the assessment for 2017. The additional zakat liability for 2017 was SAR 1,871,293. During April 2021, the ZATCA raised a revised assessment for the year 2017 in which it has partially accepted the appeal submitted by the company reducing the additional zakat liability to SAR 258,943. The Company is evaluating whether to settle additional zakat or file an appeal before the GSTC.

The ZATCA has started the audit on tax/zakat returns for the years ended 31 December 2019 and 2020. Assessments related to that financial years are awaited.

Further, during the quarter ended 31 March 2020, the ZATCA raised an assessment based on the tax audit conducted with respect to Value Added Tax (VAT). In the said assessment, the ZATCA had decided to apply 5% VAT on the planholder charges for life insurance policies supplied by SABB Takaful Company under Individual Family with effect from 1 January 2018 till 31 December 2019 along with the late payment penalties, amounting to SAR 1.68 million. During the six-months period ended 30 June 2020, the Company used the ZATCA initiative program and paid the principal VAT amount of SAR 0.97 million under protest. Upon the payment, the ZATCA waived the late payment penalties amounting to SAR 0.71 million.

In parallel, on 18 June 2020, the Company submitted an objection letter through the ZATCA portal, objecting to the assessment/SADAD invoices issued. A response to the objection letters was received on 13 July 2020 in which the ZATCA rejected the objection. On 10 August 2020, the Company filed an appeal with General Secretariat of Tax Committees (GSTC). A hearing was scheduled and heard on 24 May 2021 with the Tax Violations and Disputes Resolution Committee (TVDR) of the GSTC whereby the Company lost its appeal to overturn the assessment. The reason for the decision going in the ZATCA's favor is not yet known, the minutes of the meeting and decision should be shared shortly. Following receipt of the decision, the Company will appeal to the second level of the GSTC (i.e. the Tax Violations and Disputes Appellate Committee (TVDAC)) within the timeline and may also consider exploring the option of entering into an Alternative Dispute Resolution discussion.

12. SHARE CAPITAL

The authorized, issued and fully paid up share capital of the Company consists of 34 million ordinary shares of SAR 10 each. The shareholding structure of the Company as at 30 June 2021 and as at 30 June 2020 is as follows:

Shareholders	Shareholding	SAR'000
The Saudi British Bank	65.00%	221,000
Others	35.00%	119,000

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

13. SUPPLEMENTARY INFORMATION

Interim condensed statement of financial position

	SAR '000					
	30 June 2021 (Unaudited)			31 December 2020 (Audited)		
	Takaful Operations	Shareholders' Operations	Total	Takaful Operations	Shareholders' Operations (Restated)	Total
ASSETS						
Cash and cash equivalents	10,239	76,770	87,009	11,972	56,243	68,215
Short term deposits	25,030	35,317	60,347	25,037	95,308	120,345
Contributions and retakaful / reinsurance receivables, net	53,857	-	53,857	45,260	-	45,260
Retakaful / reinsurance share of unearned contributions	23,306	-	23,306	25,527	-	25,527
Retakaful / reinsurance share of outstanding claims including IBNR	111,029	-	111,029	73,994	-	73,994
Deferred policy acquisition costs	3,237	-	3,237	3,947	-	3,947
Due from/ (to) shareholders'/ takaful operations	5,548	(5,548)	-	23,916	(23,916)	-
Available-for-sale investments	443,848	7,006	450,854	406,636	6,985	413,621
Held-to-maturity investments	9,890	156,712	166,602	9,888	136,451	146,339
Prepaid expenses and other assets	2,983	396	3,379	3,758	4	3,762
Fixed assets	-	-	-	-	8	8
Intangible assets	-	1,644	1,644	-	2,029	2,029
Statutory deposit	-	34,000	34,000	-	34,000	34,000
Accrued income on statutory deposit	-	4,889	4,889	-	4,612	4,612
TOTAL ASSETS	688,967	311,186	1,000,153	629,935	311,724	941,659

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

13. SUPPLEMENTARY INFORMATION (continued)

Interim condensed statement of financial position (continued)

	SAR '000					
	30 June 2021 (Unaudited)			31 December 2020 (Audited)		
	Takaful Operations	Shareholders' Operations	Total	Takaful Operations	Shareholders' Operations (Restated)	Total
LIABILITIES						
Accrued and other liabilities	37,562	3,238	40,800	38,135	3,560	41,695
Provision for zakat and income tax	-	2,622	2,622	-	4,991	4,991
Retakaful / reinsurance balances payable	20,525	-	20,525	25,014	-	25,014
Unearned contributions	30,240	-	30,240	34,283	-	34,283
Unearned retakaful / reinsurance commission	4,741	-	4,741	4,722	-	4,722
Gross outstanding claims including IBNR	132,362	-	132,362	93,011	-	93,011
Unexpired risk reserve	4,417	-	4,417	8,836	-	8,836
Non-unit reserve	2,673	-	2,673	7,607	-	7,607
Provision for employees' end-of-service benefits	6,417	17	6,434	6,316	-	6,316
Surplus distribution payable	7,057	-	7,057	6,593	-	6,593
Reserve for takaful activities	443,848	-	443,848	406,636	-	406,636
Accrued income on statutory deposit	-	4,889	4,889	-	4,612	4,612
TOTAL LIABILITIES	689,842	10,766	700,608	631,153	13,163	644,316
SHAREHOLDERS' EQUITY						
Share capital	-	340,000	340,000	-	340,000	340,000
Statutory reserve	-	14,788	14,788	-	14,788	14,788
Remeasurements of employees' end-of-service benefits	(875)	-	(875)	(1,218)	-	(1,218)
Fair value reserve on available-for-sale investments	-	619	619	-	599	599
Accumulated losses	-	(54,987)	(54,987)	-	(56,826)	(56,826)
	(875)	300,420	299,545	(1,218)	298,561	297,343
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	688,967	311,186	1,000,153	629,935	311,724	941,659

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

13. SUPPLEMENTARY INFORMATION (continued)

Interim condensed statement of income

	SAR '000					
	For the three-month period ended 30 June 2021 (Unaudited)			For the three-month period ended 30 June 2020 (Unaudited)		
	Takaful Operations	Shareholders' Operations	Total	Takaful Operations	Shareholders' Operations	Total
REVENUES						
Gross contributions written						
- Family Takaful	36,730	-	36,730	33,093	-	33,093
- General Takaful	10,373	-	10,373	12,149	-	12,149
Gross contributions written	47,103	-	47,103	45,242	-	45,242
Retakaful contribution ceded						
- Local retakaful / reinsurance contribution ceded	(6,417)	-	(6,417)	(2,254)	-	(2,254)
- Foreign retakaful / reinsurance contribution ceded	(12,534)	-	(12,534)	(20,065)	-	(20,065)
Planholder charges	4,513	-	4,513	3,856	-	3,856
Net contributions written	32,665	-	32,665	26,779	-	26,779
Changes in gross unearned contributions	4,815	-	4,815	(550)	-	(550)
Changes in retakaful share of unearned contributions	(3,350)	-	(3,350)	1,318	-	1,318
Net contributions earned	34,130	-	34,130	27,547	-	27,547
Fees and commission income	2,528	-	2,528	1,763	-	1,763
Other underwriting income	(114)	-	(114)	1,999	-	1,999
Total revenue	36,544	-	36,544	31,309	-	31,309
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(20,176)	-	(20,176)	(6,887)	-	(6,887)
Retakaful share of claims paid	15,179	-	15,179	5,227	-	5,227
Surrenders and maturities	(19,660)	-	(19,660)	(17,112)	-	(17,112)
Net claims and other benefits paid	(24,657)	-	(24,657)	(18,772)	-	(18,772)
Changes in outstanding claims, net	876	-	876	(780)	-	(780)
Changes in IBNR, net	(929)	-	(929)	(879)	-	(879)
Net claims and other benefits incurred	(24,710)	-	(24,710)	(20,431)	-	(20,431)
Changes in reserve for takaful activities	(1,341)	-	(1,341)	(546)	-	(546)
Changes in non-unit reserve	1,806	-	1,806	115	-	115
Changes in unexpired risk reserve	2,625	-	2,625	2,192	-	2,192
Policy acquisition costs	(4,578)	-	(4,578)	(3,788)	-	(3,788)
Total underwriting costs and expenses	(26,198)	-	(26,198)	(22,458)	-	(22,458)
Net underwriting income	10,346	-	10,346	8,851	-	8,851

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

13. SUPPLEMENTARY INFORMATION (continued)

Interim condensed statement of income (continued)

	SAR '000					
	For the three-month period ended			For the three-month period ended		
	30 June 2021 (Unaudited)			30 June 2020 (Unaudited)		
	Takaful Operations	Shareholders' Operations	Total	Takaful Operations	Shareholders' Operations	Total
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>						
General and administrative expenses	(8,204)	(1,041)	(9,245)	(11,432)	(1,125)	(12,557)
Rebate income	405	-	405	330	-	330
Income from deposits	40	576	616	78	686	764
Income from sukuk	55	1,002	1,057	92	955	1,047
Dividend income	-	70	70	-	70	70
TOTAL OTHER OPERATING (EXPENSES)/ INCOME, NET	(7,704)	607	(7,097)	(10,932)	586	(10,346)
Net income / (loss) for the period before attribution and zakat and tax	2,642	607	3,249	(2,081)	586	(1,495)
Shareholders' absorption of deficit/ (surplus transferred to shareholders) from takaful operations	(2,378)	2,378	-	2,081	(2,081)	-
Net income after Shareholders' appropriations before zakat and tax	264	2,985	3,249	-	(1,495)	(1,495)
Zakat and tax for the period	-	(1,642)	(1,642)	-	(1,319)	(1,319)
Net income after zakat and tax	264	1,343	1,607	-	(2,814)	(2,814)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

13. SUPPLEMENTARY INFORMATION (continued)

Interim condensed statement of income (continued)

	SAR '000					
	For the six-month period ended 30 June 2021 (Unaudited)			For the six-month period ended 30 June 2020 (Unaudited)		
	Takaful Operations	Shareholders' Operations	Total	Takaful Operations	Shareholders' Operations	Total
REVENUES						
Gross contributions written						
- Family Takaful	77,262	-	77,262	70,181	-	70,181
- General Takaful	24,224	-	24,224	21,955	-	21,955
Gross contributions written	101,486	-	101,486	92,136	-	92,136
Retakaful contribution ceded						
- Local retakaful contribution ceded	(13,343)	-	(13,343)	(4,536)	-	(4,536)
- Foreign retakaful contribution ceded	(27,793)	-	(27,793)	(37,536)	-	(37,536)
Planholder charges	9,275	-	9,275	8,265	-	8,265
Net contributions written	69,625	-	69,625	58,329	-	58,329
Changes in gross unearned contributions	4,043	-	4,043	(4,262)	-	(4,262)
Changes in retakaful share of unearned contributions	(2,222)	-	(2,222)	4,834	-	4,834
Net contributions earned	71,446	-	71,446	58,901	-	58,901
Fees and commission income	4,303	-	4,303	2,402	-	2,402
Other underwriting income	108	-	108	1,999	-	1,999
Total revenue	75,857	-	75,857	63,302	-	63,302
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(41,957)	-	(41,957)	(16,751)	-	(16,751)
Retakaful share of claims paid	33,280	-	33,280	13,234	-	13,234
Surrenders and maturities	(39,995)	-	(39,995)	(35,580)	-	(35,580)
Net claims and other benefits paid	(48,672)	-	(48,672)	(39,097)	-	(39,097)
Changes in outstanding claims, net	118	-	118	(1,421)	-	(1,421)
Changes in IBNR, net	(2,435)	-	(2,435)	(1,162)	-	(1,162)
Net claims and other benefits incurred	(50,989)	-	(50,989)	(41,680)	-	(41,680)
Changes in reserve for takaful activities	(6,454)	-	(6,454)	(3,763)	-	(3,763)
Changes in non-unit reserve	4,935	-	4,935	(2,020)	-	(2,020)
Changes in unexpired risk reserve	4,419	-	4,419	598	-	598
Policy acquisition costs	(8,783)	-	(8,783)	(7,250)	-	(7,250)
Total underwriting costs and expenses	(56,872)	-	(56,872)	(54,115)	-	(54,115)
Net underwriting income	18,985	-	18,985	9,187	-	9,187

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

13. SUPPLEMENTARY INFORMATION (continued)

Interim condensed statement of income (continued)

	SAR '000					
	For the six-month period ended			For the six-month period ended		
	30 June 2021			30 June 2020		
	Takaful Operations	Shareholders' Operations	Total	Takaful Operations	Shareholders' Operations	Total
OTHER OPERATING (EXPENSES)/ INCOME						
General and administrative expenses	(15,300)	(2,605)	(17,905)	(23,760)	(1,959)	(25,719)
Rebate income	760	-	760	660	-	660
Income from deposits	86	1,171	1,257	205	1,622	1,827
Income from sukuk	110	1,980	2,090	148	1,903	2,051
Dividend income	-	140	140	-	85	85
TOTAL OTHER OPERATING (EXPENSES)/ INCOME, NET	(14,344)	686	(13,658)	(22,747)	1,651	(21,096)
Net income / (loss) for the period before attribution and zakat and tax	4,641	686	5,327	(13,560)	1,651	(11,909)
Shareholders' absorption of deficit/ (surplus transferred to shareholders) from takaful operations	(4,177)	4,177	-	13,560	(13,560)	-
Net income after Shareholders' appropriations before zakat and tax	464	4,863	5,327	-	(11,909)	(11,909)
Zakat and tax for the period	-	(3,024)	(3,024)	-	(2,449)	(2,449)
Net income after zakat and tax	464	1,839	2,303	-	(14,358)	(14,358)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

13. SUPPLEMENTARY INFORMATION (continued)

Interim condensed statement of comprehensive income

	SAR '000					
	For the three-month period ended			For the three-month period ended		
	30 June 2021			30 June 2020		
	Takaful Operations	Shareholders' Operations	Total	Takaful Operations	Shareholders' Operations	Total
Net income after zakat and tax	264	1,343	1,607	-	(2,814)	(2,814)
Other comprehensive income						
<i>Items that will be reclassified to statement of income in subsequent periods</i>						
- Fair value change in unit-linked available for sale investments – unrealized	(17,359)	-	(17,359)	29,531	-	29,531
- Fair value change in reserve for takaful activities – unrealized	17,359	-	17,359	(29,531)	-	(29,531)
- Fair value reserve on available-for- sale equity investments	-	(180)	(180)	-	469	469
<i>Items that will not be reclassified to statement of income in subsequent periods</i>						
- Remeasurements of employees' end-of-service benefits	422	-	422	39	-	39
Total comprehensive income for the period	686	1,163	1,849	39	(2,345)	(2,306)
Reconciliation:						
Less: Net income attributable to takaful operations transferred to surplus distribution payable			(264)			-
Total comprehensive income for the period			1,585			(2,306)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

13. SUPPLEMENTARY INFORMATION (continued)

Interim condensed statement of comprehensive income (continued)

	SAR '000					
	For the six-month period ended			For the six-month period ended		
	30 June 2021			30 June 2020		
	Takaful Operations	Shareholders' Operations	Total	Takaful Operations	Shareholders' Operations	Total
Net income after zakat and tax	464	1,839	2,303	-	(14,358)	(14,358)
Other comprehensive income						
<i>Items that will be reclassified to statement of income in subsequent periods</i>						
- Fair value change in unit-linked available for sale investments – unrealized	(40,033)	-	(40,033)	(9,235)	-	(9,235)
- Fair value change in reserve for takaful activities – unrealized	40,033	-	40,033	9,235	-	9,235
- Fair value reserve on available-for- sale equity investments	-	20	20	-	(549)	(549)
<i>Items that will not be reclassified to statement of income in subsequent periods</i>						
- Remeasurements of employees' end-of-service benefits	343	-	343	(162)	-	(162)
Total comprehensive income for the period	807	1,859	2,666	(162)	(14,907)	(15,069)
Reconciliation:						
Less: Net income attributable to takaful operations transferred to surplus distribution payable			(464)			-
Total comprehensive income for the period			2,202			(15,069)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

13. SUPPLEMENTARY INFORMATION (continued)

Interim condensed statement of cash flows

	SR '000					
	For the six-month period ended			For the six-month period ended		
	30 June 2021			30 June 2020		
	Takaful Operations	Shareholders' Operations	Total	Takaful Operations	Shareholders' Operations	Total
CASHFLOWS FROM OPERATING ACTIVITIES						
Net income / (loss) for the period before attribution and zakat and tax	464	4,863	5,327	-	(11,909)	(11,909)
Adjustment for non-cash items:						
Amortisation	-	385	385	-	352	352
Depreciation	7	1	8	-	35	35
Income from sukuk	(110)	(1,998)	(2,108)	(146)	(1,923)	(2,069)
Amortization of premium on sukuks	-	20	20	-	18	18
Amortization of discount on sukuks	-	(3)	(3)	(2)	-	(2)
Shareholders' appropriation from deficit/ surplus	4,177	(4,177)	-	(13,560)	13,560	-
Allowance of impairment on contribution and retakaful receivables	(120)	-	(120)	(70)	-	(70)
Provision for employees' end-of- service benefits	936	-	936	761	-	761
	5,354	(909)	4,445	(13,017)	133	(12,884)
Changes in operating assets and liabilities:						
Contributions and retakaful receivable, net	(8,597)	-	(8,597)	1,037	-	1,037
Short term deposits	7	59,991	59,998	-	66,277	66,277
Retakaful share of unearned contributions	2,221	-	2,221	(4,834)	-	(4,834)
Retakaful share of outstanding claims including IBNR	(37,035)	-	(37,035)	(12,430)	-	(12,430)
Deferred policy acquisition costs	710	-	710	(95)	-	(95)
Available-for-sale investments	(37,212)	(21)	(37,233)	13,737	-	13,737
Prepaid expenses and other assets	775	(392)	383	(4,267)	133	(4,134)
Accrued and other liabilities	(573)	(322)	(895)	1,476	716	2,192
Retakaful balances payable	(4,489)	-	(4,489)	17,548	-	17,548
Gross unearned contributions	(4,043)	-	(4,043)	4,262	-	4,262
Unearned retakaful commission	19	-	19	1,072	-	1,072
Gross outstanding claims including IBNR	39,351	-	39,351	15,013	-	15,013
Unexpired risk reserve	(4,419)	-	(4,419)	(598)	-	(598)
Non-unit reserve	(4,934)	-	(4,934)	2,020	-	2,020
Reserve for takaful activities	37,212	-	37,212	(13,737)	-	(13,737)
	(15,653)	58,347	42,694	(13,737)	67,259	74,446
Employees' end-of-service benefits paid, net of transfer in	(447)	-	(447)	(285)	-	(285)
Zakat and tax paid	-	(5,393)	(5,393)	-	(24)	(24)
Net cash from / (used in) operating activities	(16,100)	52,954	36,854	6,902	67,235	74,137

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

13. SUPPLEMENTARY INFORMATION (continued)

Interim condensed statement of cash flows (continued)

	SR '000					
	For the six-month period ended			For the six-month period ended		
	30 June 2021			30 June 2020		
	Takaful Operations	Shareholders' Operations	Total	Takaful Operations	Shareholders' Operations	Total
CASHFLOWS FROM INVESTING ACTIVITIES						
Maturity of held-to-maturity investments	-	-	-	-	-	-
Purchase of held-to-maturity investments	-	(20,076)	(20,076)	-	-	-
Income received from sukuk	-	2,016	2,016	108	1,958	2,066
Purchase of intangible assets	-	-	-	-	(483)	(483)
Purchase of fixed assets	-	-	-	-	-	-
Net cash from investing activities	-	(18,060)	(18,060)	108	1,475	1,583
CASHFLOWS FROM FINANCING ACTIVITIES						
Due from/ (to) shareholders'/ takaful operations, net	14,367	(14,367)	-	(1,122)	1,122	-
Net change in cash and cash equivalents	(1,733)	20,527	18,794	5,888	69,832	75,720
Cash and cash equivalents, beginning of the period	11,972	56,243	68,215	40,735	106,251	146,986
Cash and cash equivalents, end of the period	10,239	76,770	87,009	46,623	176,083	222,706
Non-cash supplemental information:						
Net change in fair value of available for sale investments	40,033	-	40,033	(9,235)	-	(9,235)
Net change in fair value of available-for-sale investments in local equity shares	-	20	20	-	(549)	(549)

14. RISK MANAGEMENT

The risk management policies used in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2020.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

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 fair value measurement is based on the presumption that the transaction takes place either:

- in the accessible principal market for the asset or liability, or
- in the absence of a principal market, in the most advantages accessible market for the asset or liability

The fair values of financial instruments which are not measured at fair value in these financial statements are not significantly different from the carrying values included in the financial statements. Cash and cash equivalents, short term deposits and statutory deposit are assumed to have fair values that reasonably approximate their corresponding carrying values due to the short-term nature. Held to maturity investments carried at amortised cost and classified as level 3 include unlisted sukuk. The fair value has been measured by the management using broker quotes.

Determination of fair value and fair value hierarchy

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 or identical instrument that an entity can access at the measurement date;

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.

a) Carrying amounts and fair value

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value.

30 June 2021

SAR'000	Fair value				
	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
- Available for sale investments	450,854	7,005	443,849	-	450,854
Financial assets not measured at fair value					
- Held-to-maturity investments	166,602	-	-	166,602	166,602
- Short term deposits	60,347	-	-	60,347	60,347
- Statutory deposit	34,000	-	-	34,000	34,000
- Cash and cash equivalents	87,009	-	-	87,009	87,009
	347,958	-	-	347,958	347,958
Financial liabilities measured at fair value through statement of income					
- Reserve for takaful activities	-	-	443,848	-	443,848
	-	-	443,848	-	443,848

31 December 2020

SAR'000	Fair value				
	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
- Available for sale investments	413,621	6,985	406,636	-	413,621
Financial assets not measured at fair value					
- Held-to-maturity investments	146,339	-	-	146,650	146,650
- Short term deposits	120,345	-	-	120,345	120,345
- Statutory deposit	34,000	-	-	34,000	34,000
- Cash and cash equivalents	68,215	-	-	68,215	68,215
	368,899	-	-	369,210	369,210
Financial liabilities measured at fair value through statement of income					
- Reserve for takaful activities	-	-	406,636	-	406,636
	-	-	406,636	-	406,636

Certain prior year investment classified under level 1 were restated to level 2.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

16. RESTATEMENT

The Company carried out an exercise to review the accrued and other liabilities and determined that there was an excess at 31 December 2019. Accordingly, the financial statement for the year ended 31 December 2020 have been restated. The following comparative amounts in these interim condensed statement of financial position as at 31 December 2020 and 1 January 2020 have been restated:

Financial statement account impacted	Before the restatement as at 1 January 2020	Effect of restatement	Restated as at 1 January 2020
- Accrued and other liabilities	43,282	(7,740)	35,542
- Accumulated losses	(33,264)	7,740	(25,524)
Financial statement account impacted	Before the restatement as at 31 December 2020	Effect of restatement	Restated as at 31 December 2020
- Accrued and other liabilities	49,435	(7,740)	41,695
- Accumulated losses	(64,566)	7,740	(56,826)

17. SUBSEQUENT EVENT

The Company has signed a non-binding Memorandum of Understanding (the "MOU") with Walaa Cooperative Insurance Co ("Walaa") on 14 July 2021 (corresponding to 04 Thul-Hijjah 1442H) to evaluate a potential merger between the two companies. Companies will conduct operational, technical, financial, legal, and actuarial due diligence and engage in non-binding discussions on the terms and conditions of the potential merger. Both Companies have agreed that proposed merger remains conditional to the approval of SAMA, other regulatory authorities and shareholders' general assembly approvals, the potential merger will be implemented by way of an exchange of shares, where Walaa will issue new shares to the Company's shareholders in exchange for all issued shares of the Company after the proposed merger is completed. The potential merger expects to absorb all of the Company's employees into Walaa, and should not result in any involuntary redundancies. The Company has appointed Financial Advisor for the proposed merger.

18. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

This interim condensed financial statements were approved by the Board of Directors on 7 Muharram 1443H corresponding to 15 August 2021.