
**ALAHLI TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED
FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH
PERIOD ENDED 31 MARCH 2020**

**ALAHLI TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

**THE SHAREHOLDERS
ALAHLI TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)
KINGDOM OF SAUDI ARABIA**

Introduction:

We have reviewed the accompanying interim statement of financial position of AlAhli Takaful Company - a Saudi Joint Stock Company ("the Company") as at 31 March 2020, and the related interim statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review:

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

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia.

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11 Shawwal 1441H

3 June 2020G



ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

		31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
ASSETS			
Cash and cash equivalents	4	28,831	19,619
Contributions and reinsurance receivables – net	5	31,609	14,569
Reinsurance share of unearned contributions	6	3,954	2,107
Reinsurance share of outstanding claims		23,373	21,088
Unit-linked investments	7	624,789	671,674
Investments	8	295,359	316,528
Accrued income		741	702
Prepayments and other assets		7,459	6,061
Furniture, fittings and office equipment		2,761	2,703
Intangible assets		714	852
Statutory deposit		16,667	16,667
Accrued income on statutory deposit		2,041	1,947
TOTAL ASSETS		1,038,298	1,074,517
LIABILITIES			
Accrued and other liabilities		23,994	19,976
Reinsurance balances payable		27,838	22,227
Unearned contributions	6	7,014	3,449
Technical reserve for insurance operations	9.1	634,532	684,546
Outstanding claims		45,103	43,171
Incurred but not reported (IBNR) reserves	9.2	5,178	5,053
Due to related parties	10	358	479
End-of-service indemnities		2,601	2,460
Surplus from insurance operations		20,832	20,184
Zakat and income tax	11	25,773	29,254
Dividends payable		8	8
Accrued income payable to SAMA		2,041	1,947
TOTAL LIABILITIES		795,272	832,754
EQUITY			
Share capital		166,667	166,667
Statutory reserve		30,144	29,895
Retained earnings		46,483	45,489
TOTAL SHAREHOLDERS' EQUITY		243,294	242,051
Re-measurement reserve of defined benefit obligation - related to insurance operations		(268)	(288)
TOTAL EQUITY		243,026	241,763
TOTAL LIABILITIES AND EQUITY		1,038,298	1,074,517

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

INTERIM STATEMENT OF INCOME (UNAUDITED)

For the three-month period ended 31 March 2020

	<i>Note</i>	<i>For the three-month period ended 31 March</i>	
		<i>2020</i> <i>SR'000</i>	<i>2019</i> <i>SR'000</i> <i>(Restated)</i> <i>Note 3(b)</i>
REVENUES			
Gross contributions written		58,447	63,740
Investible contributions, net		(30,178)	(38,263)
Net Insurance contributions		28,269	25,477
Contributions ceded:			
- Local		-	-
- Foreign		(13,895)	(12,412)
Net written contributions		14,374	13,065
Change in unearned contributions, net		(1,718)	(1,279)
Net contributions earned		12,656	11,786
Investment fund fee	10	1,230	1,213
TOTAL REVENUES		13,886	12,999
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		(5,388)	(51,549)
Reinsurer's share of claims paid		3,888	41,054
Net claims and other benefits paid		(1,500)	(10,495)
Changes in outstanding claims, net		353	3,955
Changes in claims incurred but not reported, net		(125)	2,326
Net claims and other benefits incurred		(1,272)	(4,214)
Changes in technical reserves, net		(1,244)	(71)
Policy acquisition costs		(712)	(584)
Other underwriting expenses		(338)	(319)
TOTAL UNDERWRITING COSTS AND EXPENSES		(3,566)	(5,188)
NET UNDERWRITING INCOME		10,320	7,811
OTHER OPERATING EXPENSES			
Allowance for doubtful debts		(168)	(90)
General and administration expenses		(8,609)	(7,572)
Unrealised (loss)/gain on FVIS investments		(1,169)	3,877
Realised gain on FVIS investments		18	73
Other income		3,116	-
TOTAL OTHER OPERATING EXPENSES		(6,812)	(3,712)
Net income for the period-c/f		3,508	4,099

Director

Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

INTERIM STATEMENT OF INCOME (UNAUDITED) (continued)

For the three-month period ended 31 March 2020

	<i>Note</i>	<i>Three-month period ended 31 March</i>	
		<i>2020 SR'000</i>	<i>2019 SR'000 (Restated) Note 3(b)</i>
Net income for the period-b/f		3,508	4,099
Net income attributed to the insurance operations		(648)	(207)
Net income for the period attributable to the shareholders, before Zakat and income tax		2,860	3,892
Zakat		(1,617)	(1,624)
Income tax		-	(19)
Net income for the period attributable to the shareholders, after Zakat and income tax		1,243	2,249
Weighted average number of ordinary shares outstanding (in thousands)		16,667	16,667
Earnings per share for the period (SR)	14	0.07	0.13

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three-month period ended 31 March 2020

*For the three-month period
ended 31 March*

	<i>2020</i> <i>SR'000</i>	<i>2019</i> <i>SR'000</i> <i>(Restated)</i> <i>Note 3(b)</i>
Net income for the period attributable to the shareholders, after Zakat and income tax	1,243	2,249
Other comprehensive income/(loss):		
<i>Other comprehensive income that will not be reclassified to interim statement of income in subsequent periods:</i>		
Re-measurement gain/(loss) on end-of-service indemnities	20	(111)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,263	2,138

Director

Chief Executive Officer

Chief Financial Officer

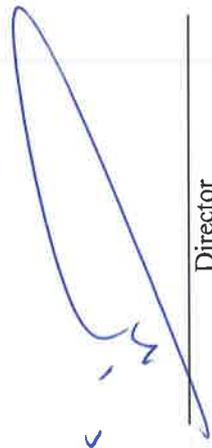
The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

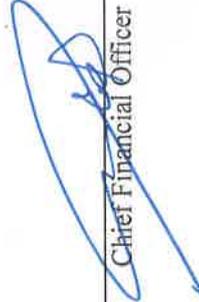
ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 INTERIM STATEMENT OF CHANGES IN EQUITY

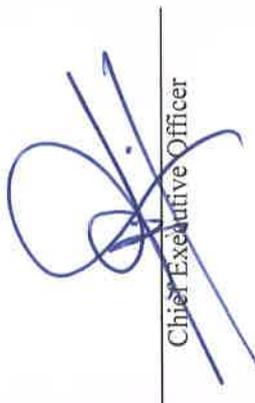
For the three-month period ended 31 March 2020

Related to shareholders operations

	Share capital SR'000	Statutory reserve SR'000	Retained earnings SR'000	Total shareholders' equity SR'000	Remeasurement reserve of defined benefit obligation – related to insurance operations SR'000	Total SR'000
Balance at 1 January 2020	166,667	29,895	45,489	242,051	(288)	241,763
Net income for the period	-	-	1,243	1,243	-	1,243
Other comprehensive income	-	-	-	-	20	20
Total comprehensive income	-	-	1,243	1,243	20	1,263
Transfer to statutory reserve	-	249	(249)	-	-	-
Balance as at 31 March 2020 (unaudited)	166,667	30,144	46,483	243,294	(268)	243,026


 Director


 Chief Financial Officer

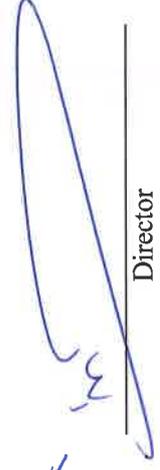

 Chief Executive Officer

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

INTERIM STATEMENT OF CHANGES IN EQUITY (continued)

For the three-month period ended 31 March 2020

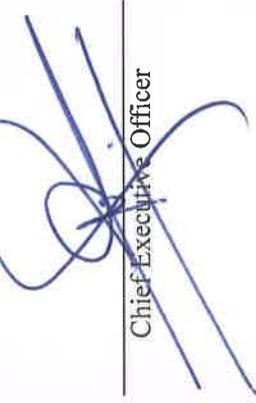
	Related to shareholders operations			Re-measurement reserve of defined benefit obligation – related to insurance operations SR '000	Total SR '000
	Share capital SR '000	Statutory reserve SR '000	Retained earnings SR '000		
Balance at 1 January 2019	166,667	28,427	39,619	24	234,737
Net income for the period – restated	-	-	2,249	-	2,249
Other comprehensive loss	-	-	-	(111)	(111)
Total comprehensive income/(loss)	-	-	2,249	(111)	2,138
Transfer to statutory reserve	-	778	(778)	-	-
Balance as at 31 March 2019 (unaudited)	166,667	29,205	41,090	(87)	236,875



Director



Chief Financial Officer



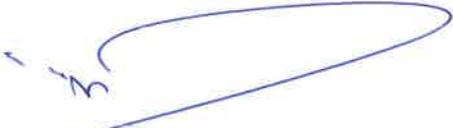
Chief Executive Officer

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the three-month period ended 31 March 2020

	<i>For the three-month period ended 31 March</i>	
	2020 SR'000	2019 SR'000
OPERATING ACTIVITIES		
Net income for the period attributable to the shareholders, before Zakat and income tax	2,860	3,892
Adjustments for the period:		
Net income attributed to the insurance operations	648	207
Depreciation	187	219
Amortization of intangible assets	206	452
Provision for end-of-service indemnities	179	133
Allowance for doubtful debts	168	90
Unrealised loss/(gain) on re-measurement of FVIS investments	1,169	(3,877)
Income before changes in operating assets and liabilities	5,417	1,116
Changes in operating assets and liabilities:		
Unit-linked investments	46,885	(37,742)
Contribution and reinsurance balance receivable	(17,208)	43,976
Accrued income	(39)	(36)
Prepayments and other receivables	(1,398)	(1,186)
Reinsurance share of unearned contribution	(1,847)	(1,983)
Unearned contribution	3,565	3,262
Reinsurance share of outstanding claims	(2,285)	22,644
Technical reserve for Insurance Operations	(50,014)	30,893
Incurred But Not Reported (IBNR) reserves	125	(2,326)
Outstanding claims	1,932	(26,599)
Reinsurance balances payable	5,611	(17,729)
Due to related parties	(121)	(3)
Accrued and other liabilities	4,018	(12,945)
Accrued income on statutory deposit	(94)	(123)
Accrued income payable to SAMA	94	123
Cash (used in)/generated from operation	(5,359)	1,342
Zakat and income tax paid	(5,098)	-
End-of-service indemnities paid	(18)	(25)
Net cash (used in)/generated from operating activities	(10,475)	1,317
INVESTING ACTIVITIES		
Purchase of furniture, fittings and office equipment	(256)	-
Additions to intangible assets	(57)	-
Redemption of FVIS investments	20,000	-
Net cash from investing activities	19,687	-


Director

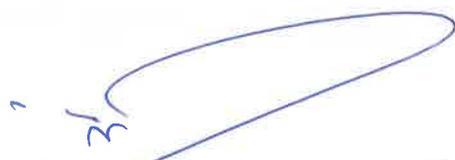

Chief Financial Officer


Chief Executive Officer

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
INTERIM STATEMENT OF CASH FLOWS (UNAUDITED) (continued)
For the three-month period ended 31 March 2020

	<i>For the three-month period ended 31 March</i>	
	<i>2020</i>	<i>2019</i>
	<i>SR'000</i>	<i>SR'000</i>
Net increase in cash and cash equivalents	9,212	1,317
Cash and cash equivalents at the beginning of the period	19,619	18,871
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	28,831	20,188



Director



Chief Financial Officer



Chief Executive Officer

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2020

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

AlAhli Takaful Company (the “Company”) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030171573 dated 21 Rajab 1428H, corresponding to 4 August 2007. The following is the address of the Company’s registered office:

P. O. Box 48510,
Al Khalidiyah Business Center,
Prince Sultan Street,
Jeddah 21582,
Kingdom of Saudi Arabia.

The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. The Company commenced its commercial operations on 4 February 2008. The Company was listed on the Saudi Stock Exchange on 18 August 2007. The Company is owned 91.77% by Saudi founding shareholders and general public subject to zakat and 8.23% by non-Saudi founding shareholders subject to income tax.

On 2 Jumada II 1424H, corresponding to 31 July 2003, the Law on the Supervision of Cooperative Insurance Companies (“Insurance Law”) was promulgated by Royal Decree Number (M/32). On 29 Sha’ban 1428H, corresponding to 11 September 2007, the Saudi Arabian Monetary Authority (“SAMA”), as the principal authority responsible for the application and administration of the Insurance Law and its Implementing Regulations, granted the Company a license to transact insurance activities in the Kingdom of Saudi Arabia.

The accompanying interim condensed financial statements include accounts of Company’s Head Office which is in Jeddah and it’s Riyadh Branch within Saudi Arabia which operates under CR No. 1010619140 registered in Riyadh on 28 Rabi’ Uthani 1441H corresponding to 25th December 2019.

2 BASIS OF PREPARATION

a) *Basis of preparation*

The interim condensed financial statements of the Company as at and for the period ended 31 March 2020 have been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) that is endorsed in the Kingdom of Saudi Arabia.

The interim condensed financial statements of the Company as at and for the period ended 31 March 2019 were prepared in compliance with the IAS 34 as modified by SAMA for the accounting of zakat and income tax (relating to the application of IAS 12 – “Income Taxes” and IFRIC 21 – “Levies” so far as these relate to zakat and income tax).

On 23 July 2019, SAMA instructed the insurance companies in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of income. This aligns with the IFRS that are endorsed by Saudi Organization of Certified Public Accountants (SOCPA) and other pronouncement and standards that are endorsed by the Kingdom of Saudi Arabia. Accordingly, the Company changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with International Accounting Standard 8 – (“IAS 8”), “Accounting Policies, Changes in Accounting Estimates and Errors” effects of this change are disclosed in note 3(b) to the interim condensed financial statements.

The interim condensed financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement of investments at their fair value. The Company’s interim condensed statement of financial position is presented in order of liquidity. Except for property and equipment, statutory deposit, end-of-service indemnities, unearned contribution, accrued income and surplus from insurance operations, outstanding claims, claims incurred but not reported and technical reserves for insurance operations, all other assets and liabilities are of short-term nature, unless, stated otherwise.

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

The interim condensed financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as of and for the year ended 31 December 2019. The interim condensed financial statements may not be considered indicative of the expected results for the full year (refer 2(b) below).

These interim condensed financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousands, unless stated otherwise.

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

2 BASIS OF PREPARATION (continued)

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 expenses, and the accompanying disclosures, and the disclosure of contingent liabilities. The outbreak of novel coronavirus (“COVID-19”) since early 2020, its spread across mainland China and then globally caused disruptions to businesses and economic activity globally including the Kingdom of Saudi Arabia and the declaration of this pandemic by the World Health Organization necessitated the Company’s management to revisit its significant judgments in applying the Company’s accounting policies and the methods of computation and the key sources of estimation applied to the annual financial statements for the year ended 31 December 2019. Whilst it is challenging now, to predict the full extent and duration of its business and economic impact, the Company’s management carried out an initial impact assessment on the overall Company’s operations and business aspects including factors like dealing with customers and service providers, claims processing, collections protocol, travel restrictions, oil prices, etc. and considering that, the mortality rate in the Kingdom of Saudi Arabia has not been impacted yet, and the liquidity and solvency position of the Company is still strong, concluded that, as of the issuance date of these interim condensed financial statements, no significant changes are required to the judgements and key estimates. However, in view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

c) Seasonality of operations

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

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates and assumptions used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2019, except as explained in note 3(a) below:

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

The following new standards, interpretations, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB) have been effective from 1 January 2020, as applicable:

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the interim condensed financial statements of the Company as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed financial statements of, nor is there expected to be any future impact to the Company.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Change in accounting for Zakat and income tax (continued)

The basis of presentation has been changed for the period ended 31 March 2019 because of the issuance of latest instructions from SAMA dated 23 July 2019. Previously, zakat and income tax were recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 23 July 2019, the zakat and income tax shall be recognized in the statement of income. The Company has accounted for this change in the accounting for zakat and income tax retrospectively and the effects of this change is disclosed below.

The change has resulted in reduction of reported income of the Company for the period ended 31 March 2019 by SR 1,643 thousand. The change has had no impact on the statement of cash flows for the period ended 31 March 2019.

Impact on the interim condensed statement of income

The change in the accounting treatment for zakat and income tax as explained above has the following impact on the line items of the interim statements of income, interim statement of financial position, interim statement of comprehensive income and changes in shareholders' equity:

As at and for the three-month period ended 31 March 2019:

Account	Financial statement impacted	As previously reported as at and for the three-month period ended 31 March 2019	Effect of Restatement	As restated as at and for the three-month period ended 31 March 2019
Zakat	Interim statement of income	-	(1,624)	(1,624)
Income tax charge	Interim statement of income	-	(19)	(19)
Net income for the period attributable to the shareholders	Interim statement of income	3,892	(1,643)	2,249
Earnings per share for the period (expressed in SR per share)	Interim statement of income	0.23	(0.10)	0.13
Zakat	Interim statement of changes in equity	1,624	(1,624)	-
Income tax charge	Interim statement of changes in equity	19	(19)	-
Total comprehensive income for the period	Interim statement of changes in equity	3,892	(1,643)	2,249

c) Standards and interpretations issued but not yet effective

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Standards and interpretations issued but not yet effective (continued)

IFRS 17 - Insurance Contracts

Overview

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

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

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

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

Measurement

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

The General model is based on the following "building blocks":

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Standards and interpretations issued but not yet effective (continued)

IFRS 17 - Insurance Contracts (continued)

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

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

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

Effective date

The IASB issued an Exposure Draft Amendments to IFRS 17 during June 2019 and received comments from various stakeholders. The IASB is currently re-deliberating issues raised by stakeholders. For any proposed amendments to IFRS 17, the IASB will follow its normal due process for standard-setting. The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4, is currently January 1, 2021. Under the current exposure draft, it is proposed to amend the IFRS 17 effective date to reporting periods beginning on or after January 1, 2022. This is a deferral of 1 year compared to the previous date of January 1, 2021. Earlier application is permitted if both IFRS 15 - Revenue from Contracts with Customers and IFRS 9 - Financial Instruments have also been applied. The Company intend to apply the standard on its effective date.

Transition

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

Presentation and Disclosures

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

Impact

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

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Standards and interpretations issued but not yet effective (continued)

IFRS 17 - Insurance Contracts (continued)

Impact Area	Summary of Impact
Financial Impact	The Company is in the process of performing the Financial Impact Assessment exercise in order to assess the financial impact of implementing IFRS 17. The results have not yet been documented.
Data Impact	<p>The Company believes that as the methodology for measurement of life products has been changed altogether under IFRS 17, there will be moderate to significant impact on the data requirements to implement the applicable measurement models. Additional data elements will be required for the unit-linked products for calculating:</p> <ul style="list-style-type: none"> • Contractual Service margins (CSM) • Future Cash Flows • Onerous contract identification • Risk Adjustment • Coverage units • Level of aggregation • Allocation of expenses etc. <p>However, the Company believes that the data impact for group products is not likely to be significant as the product has been assessed to be measured under the Simplified Approach (Premium Allocation Approach-PAA). Which is more or less to the current approach adopted by the Company under IFRS 4.</p>
IT Systems Impact	The Company is in the process of finalizing its assessment of IT system requirements under the assistance of its appointed advisor. The system requirements are being documented for onboarding an IT vendor for providing Actuarial and Financial solutions for managing change required under IFRS 17.
Process Impact	The process impact is under evaluation, significant process changes are anticipated for life product with respect to actuarial valuations, accounting processes, and disclosures.
Impact on RI Arrangements	As per the initial assessment performed of reinsurance agreements held by the Company, only the reinsurance contracts held for the Group Business qualify to be measured at the Simplified Approach (Premium Allocation Approach).
Impact on Policies & Control Frameworks	The Company has hired an external consultant to modify their current policies and manage updates in the internal control framework as per IFRS 17 requirements.

The Company has started its implementation process and has set up a project team, supervised by a steering committee.

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Standards and interpretations issued but not yet effective (continued)

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:

Classification and measurement

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

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

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

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

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

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

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

Impairment

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

Hedge accounting

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

Effective date

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Standards and interpretations issued but not yet effective (continued)

IFRS 9 - Financial Instruments (continued)

Effective date (continued)

The amendments introduce two alternative options:

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

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

Impact assessment

As at 31 March 2020, the Company has total financial assets and insurance related assets amounting to SR 60 million (2019: SR 34 million) and SR 27 million (2019: SR 23 million) respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SR 60 million (2019: SR 34 million). Fair value of unit linked investments held at fair value through statement of income as at 31 March 2020 is SR 625 million (2019: 672 million). Other financial assets consist of available for sale investments amounting to SR 295 million (2019: SR 317 million). The Company expect to use the FVOCI classification of these financial assets based on the business model of the Company for debt securities and strategic nature of equity investments. However, the Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9. Investment in funds classified under available for sale investments will be at FVIS under IFRS 9.

The Company financial assets have low credit risk as at 31 March 2020 and 31 December 2019. The above is based on high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9: However, the impact of the same is not expected to be significant. At present it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review.

4 CASH AND CASH EQUIVALENTS

	31 March 2020 (Unaudited)		
	Insurance operations SR'000	Shareholders' operations SR'000	Total SR'000
Cash in hand	19	-	19
Cash at bank (see note 4.1)	28,799	13	28,812
Total	28,818	13	28,831

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

4 CASH AND CASH EQUIVALENTS (continued)

	<i>31 December 2019 (Audited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
Cash in hand	16	-	16
Cash at bank (see note 4.1)	19,590	13	19,603
Total	19,606	13	19,619

4.1 Cash at bank is held in bank accounts maintained with a related party.

5 CONTRIBUTIONS AND REINSURANCE RECEIVABLES – NET

	<i>30 March 2020 (Unaudited)</i>	<i>31 December 2019 (Audited)</i>
	<i>SR'000</i>	<i>SR'000</i>
Policyholders – net (refer 'a' below)	2,758	3,995
Related parties - net (see note 10) and (refer 'a' below)	27,806	8,562
Receivable from reinsurers – net	1,045	2,012
	31,609	14,569

a) Doubtful debts allowance on contribution receivable from policyholders (other than related parties) for the period ended 31 March 2020 amounted to SR 424 thousand (2019: SR 256 thousand).

6 UNEARNED CONTRIBUTIONS

	<i>31 March 2020 (Unaudited)</i>		
	<i>Gross</i>	<i>Reinsurance</i>	<i>Net</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Balance at the beginning of the period	3,449	(2,107)	1,342
Contributions written/(ceded) during the period	58,447	(13,895)	44,552
Contributions (earned)/paid or adjusted during the period	(54,882)	12,048	(42,834)
Balance at the end of the period	7,014	(3,954)	3,060

	<i>Year ended 31 December 2019 (Audited)</i>		
	<i>Gross</i>	<i>Reinsurance</i>	<i>Net</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Balance at the beginning of the year	4,974	(3,187)	1,787
Contributions written/(ceded) during the year	238,841	(42,183)	196,658
Contributions (earned)/paid or adjusted during the year	(240,366)	43,263	(197,103)
Balance at the end of the year	3,449	(2,107)	1,342

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

7 UNIT-LINKED INVESTMENTS

Unit-linked investments comprise units of fund, denominated in United States Dollars, which are managed by a related party (subsidiary of the Company's major shareholder) and are based in the Kingdom of Saudi Arabia.

	<i>31 March 2020 (Unaudited) SR'000</i>	<i>31 December 2019 (Audited) SR'000</i>
<i>Investment held to cover unit-linked liabilities:</i>		
AlAhli Multi-Asset Conservative Fund	339,541	352,737
AlAhli Multi-Asset Moderate Fund	163,481	178,642
AlAhli Multi-Asset Growth Fund	121,767	140,295
	624,789	671,674

The movement in unit-linked investments during the three-month period ended 31 March 2020 and year ended 31 December 2019 is as follows:

	<i>31 March 2020 (Unaudited) SR'000</i>	<i>31 December 2019 (Audited) SR'000</i>
Balance at the beginning of the period/year	671,674	647,075
Redemptions during the period/year	-	(59,000)
Unrealised (loss)/gain during the period/year (note 9.1(b))	(46,885)	83,599
Balance at the end of the period/year	624,789	671,674

8 INVESTMENTS

	<i>31 March 2020 (Unaudited) SR'000</i>	<i>31 December 2019 (Audited) SR'000</i>
Fair value through income statement (FVIS)		
Insurance operations (note 8.1)	51,344	71,050
Shareholders' operations (note 8.2)	244,015	245,478
	295,359	316,528

8.1 Insurance Operations – FVIS

Investments of Insurance Operations represent investments in AlAhli Diversified Saudi Riyal Trade Fund (a quoted income fund), managed by a subsidiary of the Company's major shareholder and is based in the Kingdom of Saudi Arabia. This investment is designated as a FVIS and its performance is actively monitored.

	<i>31 March 2020 (Unaudited) SR'000</i>	<i>31 December 2019 (Audited) SR'000</i>
AlAhli Diversified Saudi Riyal Trade Fund	51,344	71,050

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

8 INVESTMENTS (continued)

8.1 Insurance Operations – FVIS (continued)

The movement in the FVIS investments during the three-month period ended 31 March 2020 and year ended 31 December 2019 is as follows:

	31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Insurance Operations		
Balance at the beginning of the period/year	71,050	47,805
Purchases	-	15,000
Redemption	(20,000)	-
Transferred to FVIS Shareholders' Operations (see below 8.2)	-	6,889
Unrealised gain	294	1,356
	51,344	71,050
	51,344	71,050

8.2 Shareholders' Operations – FVIS

	31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
AlAhli Takaful Discretionary Portfolio (see below)	229,319	230,820
Investment in a Real Estate Fund	7,025	7,025
AlAhli Diversified Saudi Riyal Trade Fund	7,671	7,633
	244,015	245,478
	244,015	245,478

AlAhli Takaful discretionary portfolio is managed by a subsidiary of the Company's major shareholder. The discretionary portfolio is invested in securities issued by financial institutions, government entities, and mutual funds which are denominated in Saudi Arabian Riyals and US Dollars.

The movement in the FVIS investments during the three-month period ended 31 March 2020 and year ended 31 December 2019 is as follows:

	31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
Shareholders' Operations		
Balance at the beginning of the period/year	245,478	238,808
Purchases	-	2,200
Transferred from FVIS Insurance Operations (see above 8.1)	-	(6,889)
Unrealised (loss)/gain	(1,463)	11,359
	244,015	245,478
	244,015	245,478

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

9 TECHNICAL RESERVES

9.1 Technical Reserve for Insurance Operations

- a) A technical reserve for Insurance Operations is created, as per the report received from the Actuary, as detailed below:

	<i>31 March 2020 (Unaudited) SR'000</i>	<i>31 December 2019 (Audited) SR'000</i>
Technical reserve relating to the Participant Investment Strategies (unit-linked liability)	632,016	683,274
Allowance for the retained risk	2,516	1,272
	634,532	684,546

- b) Movement in technical reserve for insurance operations is as follows:

	<i>31 March 2020 (Unaudited) SR'000</i>	<i>31 December 2019 (Audited) SR'000</i>
Balance as at the beginning of the period/year	684,546	654,225
Change in allowance for the retained risk	1,244	(2,110)
Unrealised (loss)/gain on unit-linked investments (note 7)	(46,885)	83,599
Investible contributions	30,178	149,627
Maturities	(34,551)	(200,795)
Balance as at the end of the period/year	634,532	684,546

9.2 Incurred but Not Reported (IBNR) Reserves

- a) A reserve for IBNR Insurance Operations is created, as per the report received from the Actuary, as detailed below:

	<i>31 March 2020 (Unaudited) SR'000</i>	<i>31 December 2019 (Audited) SR'000</i>
IBNR reserves	5,178	5,053

- b) Movement in IBNR reserve for insurance operations is as follows:

	<i>31 March 2020 (Unaudited) SR'000</i>	<i>31 December 2019 (Audited) SR'000</i>
Balance as at the beginning of the period/year	5,053	7,197
Change in IBNR reserve	125	(2,144)
Balance as at the end of the period/year	5,178	5,053

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
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10 RELATED PARTY TRANSACTIONS AND BALANCES

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

Following are the details of major related party transactions during the period ended 31 March 2020 and 31 March 2019:

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transactions for three-month period ended</u>	
			<u>31 March 2020</u>	<u>31 March 2019</u>
			<i>(Unaudited)</i> SR'000	<i>(Unaudited)</i> SR'000
The National Commercial Bank	Shareholder	Gross Group Insurance contributions	19,665	16,796
		Gross claims paid	3,290	50,060
FWU	Former shareholder	Administration fee	-	418
NCB Capital Company Key management personnel	Subsidiary of a shareholder	Investment fund fee	1,230	1,213
		Short-term benefits	965	916
		End of service benefits	93	46

a) Due from / (Due to) related parties

	<u>31 March 2020</u>	<u>31 December 2019</u>
	<i>(Unaudited)</i> SR'000	<i>(Audited)</i> SR'000
Receivable from The National Commercial Bank - a shareholder (note 5)	27,806	8,562
Accrued investment fund fee receivable from subsidiary of a Shareholder	741	702
	31 March 2020	31 December 2019
	<i>(Unaudited)</i> SR'000	<i>(Audited)</i> SR'000
Payable to FWU – a former shareholder	-	(121)
Payable to AlAhli Insurance Marketing Services Company Limited - subsidiary of a shareholder	(358)	(358)
	(358)	(479)
Outstanding claims payable to National Commercial Bank - a shareholder – gross	(39,172)	(37,975)

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

10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Board and other committees' remuneration and related expenses

	<i>Amount of transactions for three-month period ended</i>	
	<i>31 March 2020 (Unaudited) SR '000</i>	<i>31 March 2019 (Unaudited) SR '000</i>
Board and other committees' remuneration	509	632
Board and other committee's attendance fees	145	169
Board accommodation and travel	23	-

In addition to the disclosures set out in notes 4, 5, 7 and 8 relating to related parties, amounts due from and due to related parties are shown in the Interim Statement of Financial Position. Further, payable to related parties are as follows:

	<i>31 March 2020 (Unaudited) SR '000</i>	<i>31 December 2019 (Audited) SR '000</i>
Remuneration and other expenses payable to Board and other committees	821	1,140

11 ZAKAT AND INCOME TAX

The Zakat and income tax payable by the Company has been calculated based on the best estimates of the management. The movement in Zakat and income tax payable for the three-month period ended 31 March 2020 and year ended 31 December 2019 is as follows:

	<i>Zakat 2020 SR '000</i>	<i>Tax 2020 SR '000</i>	<i>31 March 2020 (Unaudited) SR '000</i>	<i>31 December 2019 (Audited) SR '000</i>
Balance at the beginning of the period/year	29,202	52	29,254	23,860
Charge for the period/year	1,617	-	1,617	6,408
Zakat and income tax paid	(5,098)	-	(5,098)	(1,014)
Balance at the end of the period/year	25,721	52	25,773	29,254

Status of assessments

Zakat and income tax returns have been submitted to the General Authority of Zakat and Tax (GAZT) for the period ended 31 December 2007 and for the years ended 31 December 2008 through 2018.

The GAZT raised an assessment for the period ended 31 December 2007 and for the years ended 31 December 2008 and 2009 demanding additional Zakat and withholding tax liability of SR 3,997 thousand. The Company filed an appeal against additional Zakat liability of SR 3,921 thousand and paid additional withholding tax of SR 76 thousand and a delay penalty of SR 26 thousand under protest. The Preliminary Appeal Committee [PAC] issued their decision upholding GAZT's treatment. The Company has filed an appeal against the PAC decision with the Higher Appeal Committee [HAC] and submitted a bank guarantee for the amount under dispute. The HAC rendered its decision in favour of the Company on certain items. The Company has filed an appeal against the HAC decision with the Board of Grievances [BOG]. The BOG has issued their decision by accepting some items in the favour of the Company. Based on the decision, GAZT has issued revised assessment for the said years with additional Zakat liability of SR 3,278 thousand which has been settled by the Company subsequent to the period end.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
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11 ZAKAT AND INCOME TAX (continued)

Status of assessments (continued)

The GAZT has issued assessments for the years 2010 through 2012, demanding additional Zakat liability of SR 3,680 thousand and withholding tax liability of SR 1,189 thousand. The Company filed an appeal with GAZT against these assessments and the management is confident of a favourable outcome. However, the Company settled zakat for years 2010 to 2012 of SR 3,052 thousand while objecting on certain items. The GAZT has issued only revised assessments for the years 2010 through 2012 which claiming additional Zakat liability of SR 400 thousand. The Company's objection for Zakat and tax was transferred to the related Committee to assign a hearing session for discussion. With respect to WHT, the Dispute Resolution committee accepted the Company's WHT approach. Accordingly, the Company reached to final settlement of SR 700 thousand, which has been settled by the Company. Moreover, the same committee accepted the deduction of the statutory deposit and consequently no Zakat liability is due on the Company and its Zakat and tax status for the years 2010 to 2012 are considered finalized.

The GAZT has issued initial assessments for the years 2013 through 2014, demanding additional Zakat liability of SR 2,585 thousand and SR 2,622 thousand, respectively. The Company filed an objection with GAZT against these assessments and the management is confident of a favourable outcome. In line of the Dispute Resolution committee treatment of WHT for the years 2010 to 2012, the GAZT agreed to apply the new WHT approach for the years 2013 through 2017. The Company settled SR 10.8 million for the years 2013 through 2017 and finalized its WHT status for the said years.

The GAZT has not yet raised any assessment for the years ended 31 December 2015 to 31 December 2017.

The GAZT raised an assessment for the year ended 31 December 2018 demanding additional Zakat liability of SR 5,543 thousand. The company has settled the amount of SR 5,098 subsequent to 31 December 2019 and objected against the remaining amount.

Due to COVID-19, the company did not submit the Zakat and tax return for the year ended 31 December 2019. Based on GAZT initiative, the Company received unrestricted certificate.

12 OPERATING SEGMENT INFORMATION

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

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

The unallocated assets and liabilities are not reported to the chief operating decision maker under related segments and are monitored on a centralized basis. Shareholders' operations are separated from operating segments and disclosed for presentation purposes only in a separate column.

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

12 OPERATING SEGMENT INFORMATION (continued)

	<i>As at 31 March 2020 (Unaudited)</i>				
	<i>Insurance - individual SR'000</i>	<i>Insurance- group SR'000</i>	<i>Total - Insurance operations SR'000</i>	<i>Shareholders' operations SR'000</i>	<i>Total SR'000</i>
ASSETS					
Cash and cash equivalents	20,719	8,099	28,818	13	28,831
Contributions and reinsurance receivables – net	-	31,609	31,609	-	31,609
Reinsurance share of unearned contributions	-	3,954	3,954	-	3,954
Reinsurance share of outstanding claims	1,324	22,049	23,373	-	23,373
Unit-linked investments	624,789	-	624,789	-	624,789
Investments	26,537	24,807	51,344	244,015	295,359
Accrued income	741	-	741	-	741
	<u>674,110</u>	<u>90,518</u>	<u>764,628</u>	<u>244,028</u>	<u>1,008,656</u>
Unallocated amounts:					
- Prepayments and other assets			2,569	4,890	7,459
- Furniture, fittings and office equipment			2,761	-	2,761
- Intangible assets			714	-	714
- Statutory deposit			-	16,667	16,667
- Accrued income on statutory deposit			-	2,041	2,041
TOTAL ASSETS			<u><u>770,672</u></u>	<u><u>267,626</u></u>	<u><u>1,038,298</u></u>
LIABILITIES					
Accrued and other liabilities	11,057	8,070	19,127	2,297	21,424
Reinsurance balances payable	2,395	25,443	27,838	-	27,838
Unearned contributions	-	7,014	7,014	-	7,014
Outstanding claims	2,028	43,075	45,103	-	45,103
Technical Reserve for Insurance Operations	633,644	888	634,532	-	634,532
Incurred But Not Reported (IBNR) reserves	610	4,568	5,178	-	5,178
Due to related parties	358	-	358	-	358
	<u>650,092</u>	<u>89,058</u>	<u>739,150</u>	<u>2,297</u>	<u>741,447</u>
Unallocated amounts:					
- Accrued and other liabilities			2,570	-	2,570
- End-of-service indemnities			2,601	-	2,601
- Surplus from Insurance Operations			20,832	-	20,832
- Zakat and income tax			-	25,773	25,773
- Dividends payable			-	8	8
- Accrued income payable to SAMA			-	2,041	2,041
TOTAL LIABILITIES			<u><u>765,153</u></u>	<u><u>30,119</u></u>	<u><u>795,272</u></u>

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

12 OPERATING SEGMENT INFORMATION (continued)

	<i>As at 31 December 2019 (Audited)</i>				
	<i>Insurance - individual SR '000</i>	<i>Insurance- group SR '000</i>	<i>Total - Insurance operations SR '000</i>	<i>Shareholders' operations SR '000</i>	<i>Total SR '000</i>
ASSETS					
Cash and cash equivalents	17,086	2,520	19,606	13	19,619
Contributions and reinsurance receivables – net	-	14,569	14,569	-	14,569
Reinsurance share of unearned contributions	-	2,107	2,107	-	2,107
Reinsurance share of outstanding claims	1,370	19,718	21,088	-	21,088
Unit-linked investments	671,674	-	671,674	-	671,674
Investments	36,258	34,792	71,050	245,478	316,528
Accrued income	702	-	702	-	702
	<u>727,090</u>	<u>73,706</u>	<u>800,796</u>	<u>245,491</u>	<u>1,046,287</u>
Unallocated amounts:					
- Prepayments and other assets			1,471	4,590	6,061
- Furniture, fittings and office equipment			2,703	-	2,703
- Intangible assets			852	-	852
- Statutory deposit			-	16,667	16,667
- Accrued income on statutory deposit			-	1,947	1,947
TOTAL ASSETS			<u><u>805,822</u></u>	<u><u>268,695</u></u>	<u><u>1,074,517</u></u>
LIABILITIES					
Accrued and other liabilities	5,940	7,382	13,322	2,860	16,182
Reinsurance balances payable	5,043	17,184	22,227	-	22,227
Unearned contributions	-	3,449	3,449	-	3,449
Technical Reserve for Insurance					
Operations	684,251	295	684,546	-	684,546
Outstanding claims	2,105	41,066	43,171	-	43,171
Incurred But Not Reported (IBNR) reserves	725	4,328	5,053	-	5,053
Due to related parties	479	-	479	-	479
	<u>698,543</u>	<u>73,704</u>	<u>772,247</u>	<u>2,860</u>	<u>775,107</u>
Unallocated amounts:					
- Accrued and other liabilities			3,794	-	3,794
- End-of-service indemnities			2,460	-	2,460
- Surplus from Insurance					
Operations			20,184	-	20,184
- Zakat and income tax			-	29,254	29,254
- Dividends payable			-	8	8
- Accrued income payable to SAMA			-	1,947	1,947
TOTAL LIABILITIES			<u><u>798,685</u></u>	<u><u>34,069</u></u>	<u><u>832,754</u></u>

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

12 OPERATING SEGMENT INFORMATION (continued)

	<i>Three-month period ended 31 March 2020 (Unaudited)</i>		
	<i>Insurance - individual SR'000</i>	<i>Insurance- group SR'000</i>	<i>Total SR'000</i>
REVENUE			
Gross contributions written:			
- Individual	36,786	-	36,786
- Micro enterprises	-	-	-
- Small enterprises	-	16	16
- Medium enterprises	-	716	716
- Large enterprises	-	20,929	20,929
Total gross contributions written	36,786	21,661	58,447
Investible contributions, net	(30,178)	-	(30,178)
Net Insurance contributions	6,608	21,661	28,269
Reinsurance contributions ceded:			
- Local	-	-	-
- Foreign	(574)	(13,321)	(13,895)
Net contributions written	6,034	8,340	14,374
Change in unearned contributions – net	-	(1,718)	(1,718)
Net contributions earned	6,034	6,622	12,656
Investment fund fee	1,230	-	1,230
TOTAL REVENUES	7,264	6,622	13,886
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(173)	(5,215)	(5,388)
Reinsurer's share of claims paid	106	3,782	3,888
Net claims and other benefits paid	(67)	(1,433)	(1,500)
Changes in outstanding claims – net	31	322	353
Changes in claims incurred but not reported, net	115	(240)	(125)
Net claims and other benefits incurred	79	(1,351)	(1,272)
Changes in technical reserves, net	(651)	(593)	(1,244)
Policy acquisition costs	(492)	(220)	(712)
Other underwriting expenses	(230)	(108)	(338)
TOTAL UNDERWRITING COSTS AND EXPENSES, NET	(1,294)	(2,272)	(3,566)
NET UNDERWRITING INCOME	5,970	4,350	10,320
OTHER OPERATING EXPENSES			
Unallocated amounts:			
- Additions to doubtful debts allowance			(168)
- General and administration expenses			(8,609)
- Unrealised gain on FVIS investments			(1,169)
- Realised gain on FVIS investments			18
- Other income			3,116
TOTAL OTHER OPERATING EXPENSES			(6,812)
Net income for the period			3,508
Net income attributed to the insurance operations			(648)
Net income for the period attributable to the shareholders, before zakat and income tax			2,860
Zakat			(1,617)
Income tax			-
Net income for the period attributable to the shareholders, after zakat and income tax			1,243

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

12 OPERATING SEGMENT INFORMATION (continued)

	<i>Three-month period ended 31 March 2019</i> <i>(Unaudited)</i>		
	<i>Insurance - individual SR'000</i>	<i>Insurance- group SR'000</i>	<i>Total SR'000 Restated</i>
REVENUE			
Gross contributions written			
- Individual	45,160	-	45,160
- Micro enterprises	-	-	-
- Small enterprises	-	525	525
- Medium enterprises	-	1,245	1,245
- Large enterprises	-	16,810	16,810
	<u>45,160</u>	<u>18,580</u>	<u>63,740</u>
Total gross contributions written	45,160	18,580	63,740
Investible contributions, net	(38,263)	-	(38,263)
	<u>6,897</u>	<u>18,580</u>	<u>25,477</u>
Net Insurance contributions	6,897	18,580	25,477
Reinsurance contributions ceded:			
- Local	-	-	-
- Foreign	(608)	(11,804)	(12,412)
	<u>6,289</u>	<u>6,776</u>	<u>13,065</u>
Net contributions written	6,289	6,776	13,065
Change in unearned contributions – net	-	(1,279)	(1,279)
	<u>6,289</u>	<u>5,497</u>	<u>11,786</u>
Net contributions earned	6,289	5,497	11,786
Investment fund fee	1,213	-	1,213
	<u>7,502</u>	<u>5,497</u>	<u>12,999</u>
TOTAL REVENUES	<u>7,502</u>	<u>5,497</u>	<u>12,999</u>
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(303)	(51,246)	(51,549)
Reinsurer's share of claims paid	175	40,879	41,054
	<u>(128)</u>	<u>(10,367)</u>	<u>(10,495)</u>
Net claims and other benefits paid	(128)	(10,367)	(10,495)
Changes in outstanding claims – net	(294)	4,249	3,955
Changes in claims incurred but not reported, net	113	2,213	2,326
	<u>(309)</u>	<u>(3,905)</u>	<u>(4,214)</u>
Net claims and other benefits incurred	(309)	(3,905)	(4,214)
Changes in technical reserves, net	129	(200)	(71)
Policy acquisition costs	(478)	(106)	(584)
Other underwriting expenses	(226)	(93)	(319)
	<u>(884)</u>	<u>(4,304)</u>	<u>(5,188)</u>
TOTAL UNDERWRITING COSTS AND EXPENSES	<u>(884)</u>	<u>(4,304)</u>	<u>(5,188)</u>
NET UNDERWRITING INCOME	6,618	1,193	7,811
OTHER OPERATING EXPENSES			
Unallocated amounts:			
- Addition to doubtful debts allowance			(90)
- General and administration expenses			(7,572)
- Unrealised gain on FVIS investments			3,877
- Realised gain on FVIS investments			73
			<u>(3,712)</u>
TOTAL OTHER OPERATING EXPENSES			<u>(3,712)</u>
Net income for the period			4,099
Net income attributed to the insurance operations			(207)
Net income for the period attributable to the shareholders, before Zakat and income tax			3,892
Zakat			(1,624)
Income tax			(19)
			<u>2,249</u>
Net income for the period attributable to the shareholders, after Zakat and income tax			<u>2,249</u>

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

13 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

The Company's financial assets consist of cash in hand and at banks, unit-linked investments, Fair Value through Income Statement investments (FVIS), contributions and reinsurance receivables, other receivables and its financial liabilities consist of outstanding claims, reinsurance balances payable, amount due to related parties, and other payables. The fair values of financial instruments are not materially different from their carrying values. As at 31 March 2020, apart from the investments which are carried at fair value (notes 7 and 8), there were no other financial instruments held by the Company that were measured at fair value.

- b) The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same instrument (i.e. without modification or repackaging);
Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
Level 3: valuation techniques for which any significant input is not based on observable market data.

As at 31 March 2020 and 31 December 2019, all financial instruments which are fair valued are Level 1 instruments except for investment in Real Estate Fund and AlAhli Takaful discretionary portfolio which were Level 2 instruments. The Company determines Level 2 fair values for unit-linked and FVIS investments based on the net assets value of the respective funds as at the end of the reporting period. There were no transfers between Level 1, Level 2 and Level 3 during the period.

- c) Refer to note 7 for the fair value measurement of unit linked investments and note 8 for details of the fair value measurements of the FVIS investments.

14 EARNINGS PER SHARE

Earnings per share for the period have been calculated by dividing the net income for the period after Zakat and Tax attributable to the shareholders by the weighted average number of ordinary issued and outstanding shares at the interim statement of financial position date. Diluted earnings per share is not applicable to the Company.

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

15 SUPPLEMENTARY INFORMATION

a) INTERIM STATEMENT OF FINANCIAL POSITION

	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>31 March 2020 (Unaudited)</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>31 December 2019 (Audited)</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
ASSETS						
Cash and cash equivalents	28,818	13	28,831	19,606	13	19,619
Contributions and reinsurance receivables – net	31,609	-	31,609	14,569	-	14,569
Reinsurance share of unearned contributions	3,954	-	3,954	2,107	-	2,107
Reinsurance share of outstanding claims	23,373	-	23,373	21,088	-	21,088
Unit-linked investments	624,789	-	624,789	671,674	-	671,674
Due from insurance Operations	-	5,787	5,787	-	7,425	7,425
Investments	51,344	244,015	295,359	71,050	245,478	316,528
Accrued income	741	-	741	702	-	702
Prepayments and other assets	2,569	4,890	7,459	1,471	4,590	6,061
Furniture, fittings and office equipment	2,761	-	2,761	2,703	-	2,703
Intangible assets	714	-	714	852	-	852
Statutory deposit	-	16,667	16,667	-	16,667	16,667
Accrued income on statutory deposit	-	2,041	2,041	-	1,947	1,947
	<u>770,672</u>	<u>273,413</u>	<u>1,044,085</u>	<u>805,822</u>	<u>276,120</u>	<u>1,081,942</u>
Less:- Inter-operations eliminations	-	(5,787)	(5,787)	-	(7,425)	(7,425)
TOTAL ASSETS	<u><u>770,672</u></u>	<u><u>267,626</u></u>	<u><u>1,038,298</u></u>	<u><u>805,822</u></u>	<u><u>268,695</u></u>	<u><u>1,074,517</u></u>

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

15 SUPPLEMENTARY INFORMATION (continued)

a) INTERIM STATEMENT OF FINANCIAL POSITION (continued)

	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>31 March 2020 (Unaudited)</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>31 December 2019 (Audited)</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
LIABILITIES						
Accrued and other liabilities	21,697	2,297	23,994	17,116	2,860	19,976
Reinsurance balances payable	27,838	-	27,838	22,227	-	22,227
Unearned contributions	7,014	-	7,014	3,449	-	3,449
Technical Reserve for Insurance Operations	634,532	-	634,532	684,546	-	684,546
Outstanding claims Incurred But Not Reported (IBNR) reserves	45,103	-	45,103	43,171	-	43,171
Due to related parties	5,178	-	5,178	5,053	-	5,053
Due to Shareholders' Operations	358	-	358	479	-	479
End-of-service indemnities	5,787	-	5,787	7,425	-	7,425
Surplus from Insurance Operations	2,601	-	2,601	2,460	-	2,460
Zakat and income tax	20,832	-	20,832	20,184	-	20,184
Dividends payable	-	25,773	25,773	-	29,254	29,254
Accrued income payable to SAMA	-	8	8	-	8	8
	-	2,041	2,041	-	1,947	1,947
	<u>770,940</u>	<u>30,119</u>	<u>801,059</u>	<u>806,110</u>	<u>34,069</u>	<u>840,179</u>
Less:- Inter-operations eliminations	(5,787)	-	(5,787)	(7,425)	-	(7,425)
TOTAL LIABILITIES	<u>765,153</u>	<u>30,119</u>	<u>795,272</u>	<u>798,685</u>	<u>34,069</u>	<u>832,754</u>
EQUITY						
Share capital	-	166,667	166,667	-	166,667	166,667
Statutory reserve	-	30,144	30,144	-	29,895	29,895
Retained earnings	-	46,483	46,483	-	45,489	45,489
Re-measurement reserve of defined benefit obligation	(268)	-	(268)	(288)	-	(288)
TOTAL EQUITY	<u>(268)</u>	<u>243,294</u>	<u>243,026</u>	<u>(288)</u>	<u>242,051</u>	<u>241,763</u>
TOTAL LIABILITIES AND EQUITY	<u>764,885</u>	<u>273,413</u>	<u>1,038,298</u>	<u>798,397</u>	<u>276,120</u>	<u>1,074,517</u>

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

15 SUPPLEMENTARY INFORMATION (continued)

b) INTERIM STATEMENT OF INCOME

	<i>Three-month period ended 31 March (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2020</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2019</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
	<i>Restated</i>	<i>Restated</i>	<i>Restated</i>	<i>Restated</i>	<i>Restated</i>	<i>Restated</i>
<u>REVENUES</u>						
Gross contributions written	58,447	-	58,447	63,740	-	63,740
Investible contribution, net	(30,178)	-	(30,178)	(38,263)	-	(38,263)
Net Insurance contributions						
Reinsurance contributions ceded:	28,269	-	28,269	25,477	-	25,477
- Local	-	-	-	-	-	-
- Foreign	(13,895)	-	(13,895)	(12,412)	-	(12,412)
Net contributions written	14,374	-	14,374	13,065	-	13,065
Change in unearned contributions - net	(1,718)	-	(1,718)	(1,279)	-	(1,279)
Net contributions earned	12,656	-	12,656	11,786	-	11,786
Investment fund fee	1,230	-	1,230	1,213	-	1,213
TOTAL REVENUES	13,886	-	13,886	12,999	-	12,999
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	(5,388)	-	(5,388)	(51,549)	-	(51,549)
Reinsurers' share of claims paid	3,888	-	3,888	41,054	-	41,054
Net claims and other benefits paid	(1,500)	-	(1,500)	(10,495)	-	(10,495)
Changes in outstanding claims – net	353	-	353	3,955	-	3,955
Changes in claims incurred but not reported, net	(125)	-	(125)	2,326	-	2,326
Net claims and other benefits incurred	(1,272)	-	(1,272)	(4,214)	-	(4,214)
Changes in technical reserves, net	(1,244)	-	(1,244)	(71)	-	(71)
Policy acquisition costs	(712)	-	(712)	(584)	-	(584)
Other underwriting expenses	(338)	-	(338)	(319)	-	(319)
TOTAL UNDERWRITING COSTS AND EXPENSES	(3,566)	-	(3,566)	(5,188)	-	(5,188)
NET UNDERWRITING INCOME	10,320	-	10,320	7,811	-	7,811

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

15 SUPPLEMENTARY INFORMATION (continued)

b) INTERIM STATEMENT OF INCOME (continued)

	<i>Three-month period ended 31 March (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2020</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2019</i>
	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
	<i>Restated</i>	<i>Restated</i>		<i>Restated</i>	<i>Restated</i>	<i>Restated</i>
<u>OTHER OPERATING EXPENSES</u>						
Additions to doubtful debts allowance	(168)	-	(168)	(90)	-	(90)
General and administration expenses	(7,088)	(1,521)	(8,609)	(6,035)	(1,537)	(7,572)
Unrealised gain/(loss) on FVIS investments	294	(1,463)	(1,169)	324	3,553	3,877
Realised gain on FVIS investments	11	7	18	58	15	73
Other income	3,116	-	3,116	-	-	-
	<u>(3,835)</u>	<u>(2,977)</u>	<u>(6,812)</u>	<u>(5,743)</u>	<u>2,031</u>	<u>(3,712)</u>
<u>TOTAL OTHER OPERATING EXPENSES</u>						
<u>NET SURPLUS FROM OPERATIONS</u>	6,485	(2,977)	3,508	2,068	2,031	4,099
Surplus transferred to Shareholders	(5,837)	5,837	-	(1,861)	1,861	-
	<u>(5,837)</u>	<u>5,837</u>	<u>-</u>	<u>(1,861)</u>	<u>1,861</u>	<u>-</u>
<u>NET INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX</u>	648	2,860	3,508	207	3,892	4,099
Zakat	-	(1,617)	(1,617)	-	(1,624)	(1,624)
Income tax	-	-	-	-	(19)	(19)
	<u>648</u>	<u>1,243</u>	<u>1,891</u>	<u>207</u>	<u>2,249</u>	<u>2,456</u>
<u>NET INCOME FOR THE PERIOD AFTER ZAKAT AND INCOME TAX</u>	648	1,243	1,891	207	2,249	2,456
Weighted averages number of ordinary shares outstanding (in thousands)	-	16,667	-	-	16,667	-
Earnings per share for the period (SR)	-	0.07	-	-	0.13	-

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

15 SUPPLEMENTARY INFORMATION (continued)

c) INTERIM STATEMENT OF COMPREHENSIVE INCOME

	<i>Three-month period ended 31 March (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2020</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2019</i>
	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>
	<i>Restated</i>	<i>Restated</i>		<i>Restated</i>	<i>Restated</i>	<i>Restated</i>
NET INCOME FOR THE PERIOD	648	1,243	1,891	207	2,249	2,456
Other comprehensive income/(loss):						
<i>Other comprehensive income/(loss) that will not be reclassified to interim statement of income in subsequent periods:</i>						
Re-measurement gain/(loss) on end-of-service indemnities	<u>20</u>	<u>-</u>	<u>20</u>	<u>(111)</u>	<u>-</u>	<u>(111)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>668</u>	<u>1,243</u>	<u>1,911</u>	<u>96</u>	<u>2,249</u>	<u>2,345</u>
Reconciliation:						
Less: Net income attributable to insurance operations			<u>(648)</u>			<u>(207)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			<u>1,263</u>			<u>2,138</u>

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

15 SUPPLEMENTARY INFORMATION (continued)

d) INTERIM STATEMENT OF CASH FLOWS

	<i>Three-month period ended 31 March (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2020</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2019</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
OPERATING ACTIVITIES						
Income for the period before Zakat and income tax	648	2,860	3,508	207	3,892	4,099
Adjustments for the period:						
Depreciation	187	-	187	219	-	219
Amortization of intangible assets	206	-	206	452	-	452
End-of-service indemnities, net	179	-	179	133	-	133
Allowance for doubtful debts	168	-	168	90	-	90
Unrealised (gain)/loss on re-measurement of FVIS investments	(294)	1,463	1,169	(324)	(3,553)	(3,877)
	1,094	4,323	5,417	777	339	1,116
Changes in operating assets and liabilities:						
Unit-linked investments	46,885	-	46,885	(37,742)	-	(37,742)
Contribution and reinsurance balance receivable, net	(17,208)	-	(17,208)	43,976	-	43,976
Accrued income	(39)	-	(39)	(36)	-	(36)
Prepayments and other receivables including accrued income	(1,098)	(300)	(1,398)	(987)	(199)	(1,186)
Reinsurance share of unearned contribution	(1,847)	-	(1,847)	(1,983)	-	(1,983)
Unearned contribution	3,565	-	3,565	3,262	-	3,262
Reinsurance share of outstanding claims	(2,285)	-	(2,285)	22,644	-	22,644
Technical reserve for Insurance Operations	(50,014)	-	(50,014)	30,893	-	30,893
Incurred But Not Reported (IBNR) reserves	125	-	125	(2,326)	-	(2,326)
Outstanding claims	1,932	-	1,932	(26,599)	-	(26,599)
Reinsurance balances payable	5,611	-	5,611	(17,729)	-	(17,729)
Due to related parties	(121)	-	(121)	(3)	-	(3)
Accrued and other liabilities	4,581	(563)	4,018	(10,888)	(2,057)	(12,945)
Accrued income on statutory deposit	-	(94)	(94)	-	(123)	(123)
Accrued income payable to SAMA	-	94	94	-	123	123
Zakat and income tax paid	-	(5,098)	(5,098)	-	-	-
End-of-service indemnities paid	(18)	-	(18)	(25)	-	(25)
Due (from) / to Insurance Operation	-	1,638	1,638	-	1,918	1,918
Due to / (from) Shareholders' Operations	(1,638)	-	(1,638)	(1,918)	-	(1,918)
Net cash (used in) / from operating activities	(10,475)	-	(10,475)	1,316	1	1,317

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

15 SUPPLEMENTARY INFORMATION (continued)

d) INTERIM STATEMENT OF CASH FLOWS (continued)

	<i>Three-month period ended 31 March (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2020</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2019</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
INVESTING ACTIVITIES						
Purchase of furniture, fittings and office equipment	(256)	-	(256)	-	-	-
Additions to intangible assets	(57)	-	(57)	-	-	-
Redemption of FVIS investments	20,000	-	20,000	-	-	-
Net cash from investing activities	<u>19,687</u>	<u>-</u>	<u>19,687</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	9,212	-	9,212	1,316	1	1,317
Cash and cash equivalents at the beginning of the period	<u>19,606</u>	<u>13</u>	<u>19,619</u>	<u>16,454</u>	<u>2,417</u>	<u>18,871</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>28,818</u>	<u>13</u>	<u>28,831</u>	<u>17,770</u>	<u>2,418</u>	<u>20,188</u>

16 SUBSEQUENT EVENTS

In response to the COVID-19 pandemic, SAMA issued a decree 189 (the “decree”) dated 8 May 2020 to all insurance companies in the Kingdom of Saudi Arabia. Amongst other things, the decree instructs insurance companies to extend the period of validity of all existing retail motor insurance policies by further two months as well as providing a two-month additional coverage for all new retail motor policies written within one month of this decree. Since the Company is not engaged in motor business and consequently will have no material impact of the decree on the business going forward.

17 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors on 21 May 2020, corresponding to 28 Ramadan 1441H.