

---

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

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

**FOR THE THREE-MONTH AND SIX-MONTH  
PERIODS ENDED 30 JUNE 2023**

---

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

---

<b><u>INDEX</u></b>	<b><u>PAGES</u></b>
Independent Auditors' Report on the review of condensed interim financial statements	1
Condensed statement of financial position	2
Condensed statement of income	3
Condensed statement of comprehensive income	4
Condensed statement of changes in equity	5
Condensed statement of cash flows	6
Notes to the condensed interim financial statements	7 – 68



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

Headquarters in Riyadh



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

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

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

### Introduction

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

### Scope of review

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

### Conclusion

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

for KPMG Professional Services



Nasser Ahmed Al Shutairy  
License No. 454



for BDO Dr. Mohamed Al-Amri & Co.



Maher T. Al-Khatieb  
License No. 514



16 August 2023  
Corresponding to 29 Muharram 1445H

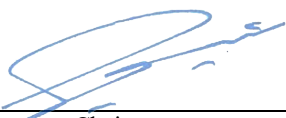
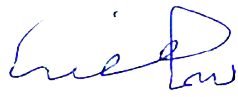

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia with a paid-up capital of SAR40,000,000 (previously known as "KPMG Al Fozan & Partners Certified Public Accountants") and a non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Dr. Mohamed Al-Amri & Co., a Professional Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under CR no. 1010433982, with paid-up capital of SAR (1,000,000) is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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

		30 June 2023 (Unaudited)	31 December 2022 (Unaudited) Restated*
	Notes	SAR'000	SAR'000
<b>ASSETS</b>			
Cash and cash equivalents	4	139,612	263,179
Investments held to cover unit-linked liabilities	5	1,458,012	1,278,506
Investments held at fair value through profit or loss	6.1	276,800	189,150
Investment held at fair value through other comprehensive income	6.2	39,703	39,703
Investments held at amortised cost	6.3	507,405	414,469
Due from a related party	12	813	2,807
Prepayments and other assets		20,628	18,717
Reinsurance contract assets	7	33,505	34,011
Property and equipment		2,828	3,415
Intangible assets		1,759	2,150
Right-of-use assets		2,117	3,005
Goodwill		232,255	232,255
Statutory deposit	11	54,991	54,991
<b>TOTAL ASSETS</b>		<b>2,770,428</b>	<b>2,536,358</b>
<b>LIABILITIES</b>			
Accrued expenses and other liabilities		151,544	120,174
Lease liabilities		2,168	3,035
Insurance contract liabilities	7	1,686,427	1,507,242
Reinsurance contract liabilities	7	3,067	4,746
Provision for employee end of service benefits		6,210	5,576
Zakat and income tax	13	3,845	2,908
<b>TOTAL LIABILITIES</b>		<b>1,853,261</b>	<b>1,643,681</b>
<b>EQUITY</b>			
Share capital		550,000	550,000
Share premium		197,286	197,286
Statutory reserve	10	48,303	48,303
Retained earnings		83,405	58,915
Fair value reserve		37,780	37,780
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>916,774</b>	<b>892,284</b>
Remeasurement reserve of employee benefits - related to Insurance Operations		393	393
<b>TOTAL EQUITY</b>		<b>917,167</b>	<b>892,677</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,770,428</b>	<b>2,536,358</b>

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

		
Chairman	Chief Financial Officer	Managing Director

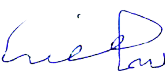
ALJAZIRA TAKAFUL TAAWUNI COMPANY  
(A SAUDI JOINT STOCK COMPANY)  
CONDENSED STATEMENT OF INCOME

For the three-month and six-month periods ended 30 June 2023

	Notes	Three-month period ended 30 June 2023 (Unaudited) SAR'000	Three-month period ended 30 June 2022 (Unaudited) Restated* SAR'000	Six-month period ended 30 June 2023 (Unaudited) SAR'000	Six-month period ended 30 June 2022 (Unaudited) Restated* SAR'000
Insurance revenue	8	63,009	38,153	141,946	88,039
Insurance service expenses	8	(38,023)	(26,145)	(110,828)	(39,179)
Net expenses from reinsurance contracts held	8	(15,594)	(7,201)	(14,271)	(26,995)
<b>Insurance service result</b>		<b>9,392</b>	<b>4,807</b>	<b>16,847</b>	<b>21,865</b>
Net income / (loss) on investments measured at FVTPL	5 & 6.1	116,773	(177,692)	214,088	(200,891)
Commission income on investments measured at amortised cost		3,520	4,804	7,569	6,026
Commission income on short term deposits	4	575	1	3,490	1
Net impairment loss on financial assets		(60)	(9)	(66)	(9)
<b>Investment return</b>		<b>120,808</b>	<b>(172,896)</b>	<b>225,081</b>	<b>(194,873)</b>
Net finance (expense) / income from insurance contracts issued	9	(116,463)	180,296	(213,582)	203,172
Net finance income from reinsurance contracts held	9	398	56	589	111
<b>Net financial results</b>		<b>4,743</b>	<b>7,456</b>	<b>12,088</b>	<b>8,410</b>
Other income		8,222	(570)	14,993	6,054
Other operating expenses		(3,339)	(9,643)	(17,010)	(17,298)
<b>Income for the period attributable to the shareholders before zakat and income tax</b>		<b>19,018</b>	<b>2,050</b>	<b>26,918</b>	<b>19,031</b>
Zakat	13.1	(566)	(447)	(1,024)	(682)
Income tax	13.2	(1,085)	(552)	(1,404)	(697)
<b>NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS</b>		<b>17,367</b>	<b>1,051</b>	<b>24,490</b>	<b>17,652</b>
Weighted average number of ordinary shares outstanding (in thousands of shares)		55,000	55,000	55,000	55,000
<b>Earnings per share for the period (SAR / share) (Basic and diluted)</b>	14	<b>0.32</b>	<b>0.02</b>	<b>0.45</b>	<b>0.32</b>

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

  
Chairman

  
Chief Financial Officer

  
Managing Director

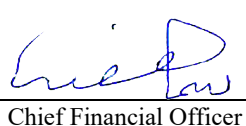
The accompanying notes 1 to 19 form an integral part of these condensed interim financial statements.

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

	<i>Three-month period ended 30 June 2023</i>  <i>(Unaudited)</i>  <i>SAR'000</i>	<i>Three-month period ended 30 June 2022</i>  <i>(Unaudited) Restated*</i>  <i>SAR'000</i>	<i>Six-month period ended 30 June 2023</i>  <i>(Unaudited)</i>  <i>SAR'000</i>	<i>Six-month period ended 30 June 2022</i>  <i>(Unaudited) Restated*</i>  <i>SAR'000</i>
Net income for the period attributable to the shareholders	17,367	1,051	24,490	17,652
Other comprehensive income	--	--	--	--
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>17,367</b>	<b>1,051</b>	<b>24,490</b>	<b>17,652</b>

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

  
Chairman

  
Chief Financial Officer

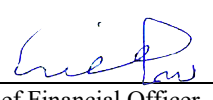
  
Managing Director

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

	<i>Shareholders' equity</i>					<i>Re-measurement reserve of employee benefits – related to insurance operations SAR'000</i>	<i>Total equity SAR'000</i>
	<i>Share capital SAR'000</i>	<i>Share premium SAR'000</i>	<i>Statutory reserve SAR'000</i>	<i>Retained earnings SAR'000</i>	<i>Fair value reserve SAR'000</i>	<i>Total shareholders' equity SAR'000</i>	
<b>Balance at 1 January 2023 – (Unaudited), Restated*</b>	<b>550,000</b>	<b>197,286</b>	<b>48,303</b>	<b>58,915</b>	<b>37,780</b>	<b>892,284</b>	<b>892,677</b>
Net income for the period	--	--	--	24,490	--	24,490	24,490
Other comprehensive income	--	--	--	--	--	--	--
<b>Total comprehensive income</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>24,490</b>	<b>--</b>	<b>24,490</b>	<b>24,490</b>
<b>Balance as at 30 June 2023 - (Unaudited)</b>	<b>550,000</b>	<b>197,286</b>	<b>48,303</b>	<b>83,405</b>	<b>37,780</b>	<b>916,774</b>	<b>917,167</b>
Balance at 1 January 2022, as previously reported	550,000	197,286	42,632	22,812	--	812,730	813,972
Impact of initial application of IFRS 17 (note 3.2.4)	--	--	--	3,295	--	3,295	3,295
Impact of initial application of IFRS 9 (note 3.3.4)	--	--	--	--	35,069	35,069	35,069
<b>Balance at 1 January 2022 - (Unaudited), Restated*</b>	<b>550,000</b>	<b>197,286</b>	<b>42,632</b>	<b>26,107</b>	<b>35,069</b>	<b>851,094</b>	<b>852,336</b>
Net income for the period	--	--	--	17,652	--	17,652	17,652
Other comprehensive income	--	--	--	--	--	--	--
<b>Total comprehensive income (Unaudited), Restated*</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>17,652</b>	<b>--</b>	<b>17,652</b>	<b>17,652</b>
<b>Balance as at 30 June 2022 (Unaudited), Restated*</b>	<b>550,000</b>	<b>197,286</b>	<b>42,632</b>	<b>43,759</b>	<b>35,069</b>	<b>868,746</b>	<b>869,988</b>

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

  
Chairman


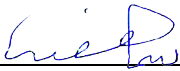

  
Chief Financial Officer

  
Managing Director

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

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

	Notes	30 June 2023 (Unaudited) SAR'000	30 June 2022 (Unaudited) Restated* SAR'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income for the period attributable to the shareholders before zakat and income tax		26,918	19,031
<b>Adjustments for non-cash items:</b>			
Commission from investments held at amortised cost	6.3	(7,529)	(6,804)
Unrealised (gain) / loss on investments held at FVTPL	5 & 6.1	(214,088)	200,746
Realised gain on investments held at FVTPL		(125)	(22)
Dividend income on investments held at FVTPL		(65)	(158)
Commission income on investment at amortised cost		(5,829)	(5,738)
Expected credit loss on investments at amortised cost		50	-
Depreciation and amortization		1,977	2,277
Finance cost of lease liabilities		20	23
Expense charged to profit or loss related to employee's benefit		750	785
		<b>(197,921)</b>	<b>210,140</b>
<b>Changes in operating assets and liabilities:</b>			
Insurance and reinsurance contract assets and liabilities		389,343	(425,440)
Investments held to cover unit-linked liabilities		(179,506)	239,330
Due to and from related parties		1,994	59,719
Prepayments and other assets		(1,911)	16,316
Accrued and other liabilities		31,370	15,663
Cash generated from operations		<b>43,369</b>	<b>115,728</b>
Zakat and income tax paid	13	(1,491)	(1,255)
Employee benefits paid		(116)	(751)
<b>Net cash generated from operating activities</b>		<b>41,762</b>	<b>113,722</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of investments held at FVTPL		72,761	57,040
Purchase of investments held at amortised cost	6.3.2	(100,000)	(20,000)
Purchase of investments held at FVTPL		(150,000)	(131,000)
Proceeds from redemption of investment held at amortised cost		6,739	5,738
Commission received from investments held at amortised cost	6.3.1	6,104	7,466
Dividend income received from investments held at FVTPL		65	158
Purchase of property and equipment		(111)	(470)
Increase in statutory deposit		--	(7,934)
<b>Net cash used in investing activities</b>		<b>(164,442)</b>	<b>(89,002)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of lease liabilities		(887)	(1,071)
<b>Net cash used in financing activities</b>		<b>(887)</b>	<b>(1,071)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(123,567)</b>	<b>23,649</b>
Cash and cash equivalents at the beginning of the period	4	263,179	83,023
<b>Cash and cash equivalents at the end of the period</b>	<b>4</b>	<b>139,612</b>	<b>106,672</b>

 Chairman	 Chief Financial Officer	 Managing Director
---	---	--

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

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



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

---

**1. GENERAL**

AlJazira Takaful Taawuni Company (the "Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia pursuant to the Council of Ministers' resolution No. 137 dated 27 Rabi' Al-Thani 1431H (corresponding to 12 April 2010) and Royal Decree No. M/23 dated 28 Rabi' Al-Thani 1431H corresponding to 13 April 2010. The Company obtained its Commercial Registration ("CR") 4030251980 on 2 Ramadan 1434H corresponding to 10 July 2013 and Ministry of Commerce and Industry's Resolution dated 24 Sha'baan 1434H corresponding to 03 July 2013. The Company operates only in the Kingdom of Saudi Arabia. The Company has the following branches, and the assets, liabilities, and results of operations of these branches and offices are included in these condensed interim financial statements:

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

The registered office address of the Company is:

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

The objectives of the Company are to engage in providing insurance products that include protection and saving insurance products and related services in accordance with its By-Laws and applicable regulations in the Kingdom of Saudi Arabia. On 13 Jumada al-Thani 1442H (corresponding to 26 January 2021), the Company amended its By-Laws to include the objective of practicing general insurance and health insurance business. The Company received license number TMN/34/201312 dated 15 Safar 1435H (corresponding to 18 December 2013) from the Saudi Central Bank (SAMA) to conduct insurance business. The Company is owned 97.75% by Saudi shareholders' and the general public subject to Zakat and 2.25% by non-Saudi shareholders subject to income tax. On 16 Rajab 1442 (corresponding to 28 February 2021), the Company completed a statutory merger with Solidarity Saudi Takaful Company ("Solidarity"). Following the merger, the assets, liabilities and all the business activities of Solidarity were transferred to the Company in exchange for newly issued shares of the Company. The purchase consideration was determined to be SAR 317,950 thousand, which consisted of the issue of 12,066,403 new shares to the shareholders of Solidarity. As a result, there was an increase in share capital and share premium of SAR 120,664 thousand and SAR 197,286 thousand, respectively, during the year ended 31 December 2021. The merger had been accounted for using the acquisition method under IFRS 3 – Business Combinations with the Company being the acquirer and Solidarity being the acquiree. During the year ended 31 December 2021, the Company completed the process of allocating the purchase consideration to the identifiable assets and liabilities in accordance with the requirements of IFRS 3. Accordingly, goodwill amounting to SAR 232,255 thousand is recognised in the statement of financial position (net-off impact of onerous contracts recognised on the acquisition in accordance with IFRS 17).

During the current period, the Company has decided to increase its share capital from SAR 550,000 thousand to SAR 660,000 thousand through issue of bonus shares and is in the process of obtaining required approvals from regulatory authorities.

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

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

**2. BASIS OF PREPARATION**

**a) Statement of compliance**

The condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA"). This is the first set of the Company's condensed interim financial statements for the six-month period ended 30 June 2023 in which IFRS 17 - Insurance Contracts ("IFRS 17") and IFRS 9 - Financial Instruments ("IFRS 9") as endorsed in Kingdom of Saudi Arabia have been applied and the resultant changes to the significant judgments, estimates and accounting policies are described in Note 3. Comparative information was restated due to the adoption of IFRS 17 and IFRS 9.

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

---

**2. BASIS OF PREPARATION (continued)**

**a) Statement of compliance (continued)**

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

**b) Basis of measurement**

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

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

**c) Basis of presentation**

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

**d) Functional and presentation currency**

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

**e) Seasonality of operations**

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

**3. SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

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

<u>Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
IFRS 16	Lease liability in a sale and leaseback – Amendments to IFRS 16	1 January 2024
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely
IFRS S1	General Requirements for Disclosure of Sustainability-related Financial Information	1 January 2024
IFRS S2	Climate-related Disclosures	1 January 2024

**3.2 IFRS 17 Insurance Contracts**

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

**3.2.1 Changes in accounting policies:**

**a) Recognition, measurement, and presentation of insurance contracts**

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

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

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

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

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

---

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.2 IFRS 17 Insurance Contracts (continued)**

**3.2.1 Changes in accounting policies (continued):**

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

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

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

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

**b) Separating components from insurance and reinsurance contracts**

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

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

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

**c) Aggregation and recognition of insurance and reinsurance contracts**

**Insurance contracts**

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

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.2 IFRS 17 Insurance Contracts (continued)**

**3.2.1 Changes in accounting policies (continued):**

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

***Insurance contracts (continued)***

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

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

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

***Reinsurance contracts***

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

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

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

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

**d) Insurance acquisition cash flows**

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

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

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

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.2 IFRS 17 Insurance Contracts (continued)**

**3.2.1 Changes in accounting policies (continued):**

**e) Contract boundaries**

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

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

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

**f) Fulfilment cash flows**

Fulfilment cash flows comprise:

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

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

***Estimates of future cash flows***

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

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

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

---

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.2 IFRS 17 Insurance Contracts (continued)**

**3.2.1 Changes in accounting policies (continued):**

**f) Fulfilment cash flows (continued):**

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

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

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

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

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

***Contract boundaries***

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

**g) Onerous groups of contracts:**

***Life risk, life savings and participating contracts***

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

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.2 IFRS 17 Insurance Contracts (continued)**

**3.2.1 Changes in accounting policies (continued):**

**g) Onerous groups of contracts (continued):**

***Non-life contracts***

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

**h) Discount rates**

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

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

**i) Risk adjustment for non-financial risk**

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

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

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

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

**j) Contractual service margin (CSM)**

***Determination of coverage units***

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

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



**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.2 IFRS 17 Insurance Contracts (continued)**

**3.2.1 Changes in accounting policies (continued):**

**k) Investment components**

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

**l) Fair value of insurance contracts**

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

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

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

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

**m) Variable fee approach**

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.2 IFRS 17 Insurance Contracts (continued)**

**3.2.1 Changes in accounting policies (continued):**

**n) Measurement - Contracts not measured under the PAA**

***Insurance contracts - Initial measurement***

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

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

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

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

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

***Insurance contracts - Subsequent measurement***

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

The liability for remaining coverage comprises:

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

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

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

Changes in fulfilment cash flows are recognised as follows:

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

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.2 IFRS 17 Insurance Contracts (continued)**

**3.2.1 Changes in accounting policies (continued):**

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

***Insurance contracts - Subsequent measurement (continued)***

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

***Insurance contracts without direct participation features:***

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

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

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

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

***Direct participating contracts:***

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

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.2 IFRS 17 Insurance Contracts (continued)**

**3.2.1 Changes in accounting policies (continued):**

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

***Insurance contracts - Subsequent measurement (continued)***

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

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

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

***Reinsurance contracts***

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

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

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

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.2 IFRS 17 Insurance Contracts (continued)**

**3.2.1 Changes in accounting policies (continued):**

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

***Reinsurance contracts (continued)***

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

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

***Reinsurance of onerous underlying insurance contracts:***

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

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

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

**o) Measurement - Contracts measured under the PAA**

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

***Insurance contracts:***

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

***Loss-occurring reinsurance contracts:***

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

***Risk-attaching reinsurance contracts:***

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

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

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

---

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.2 IFRS 17 Insurance Contracts (continued)**

**3.2.1 Changes in accounting policies (continued):**

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

***Insurance contracts***

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

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

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

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

***Reinsurance contracts***

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

**p) Derecognition & Contract modification**

The Company derecognises insurance contracts when:

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

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

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.2 IFRS 17 Insurance Contracts (continued)**

**3.2.1 Changes in accounting policies (continued):**

**p) Derecognition & Contract modification (continued)**

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

**q) Presentation**

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

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

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

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

***Insurance revenue***

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

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

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

***Release of the CSM***

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

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

---

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.2 IFRS 17 Insurance Contracts (continued)**

**3.2.1 Changes in accounting policies (continued):**

**q) Presentation (continued):**

***Release of the CSM (continued)***

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

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

***Insurance revenue - Contracts measured under the PAA***

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

***Loss components***

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

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

***Insurance service expenses***

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

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



**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.2 IFRS 17 Insurance Contracts (continued)**

**3.2.1 Changes in accounting policies (continued):**

**q) Presentation (continued):**

***Income / expenses from reinsurance contracts***

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

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

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

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

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

***Insurance finance income and expenses***

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

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

***Incremental contract costs***

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.2 IFRS 17 Insurance Contracts (continued)**

**3.2.2 Changes to classification, recognition and measurement**

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

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

**3.2.3 Changes to presentation and disclosure**

**Statement of financial position**

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

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.2 IFRS 17 Insurance Contracts (continued)**

**3.2.3 Changes to presentation and disclosure (continued)**

**Statement of income and comprehensive income**

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

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

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

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

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

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

**3.2.4 Transition**

On transition date, 1 January 2022, the Company:

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

**3.2.4.1 Full retrospective approach**

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

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

**3.2.4.2 Modified retrospective approach**

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

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.2 IFRS 17 Insurance Contracts (continued)**

**3.2.4 Transition (continued)**

**3.2.4.2 Modified retrospective approach (continued)**

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

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

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

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

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

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

**3.2.4.3 Fair value approach**

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

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

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

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

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

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.2 IFRS 17 Insurance Contracts (continued)**

**3.2.4 Transition (continued)**

**3.2.4.4 Transition impact**

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

**3.3 IFRS 9 Financial Instruments**

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

**3.3.1 Changes in accounting policies:**

**3.3.1.1 Financial assets and liabilities:**

**i. Initial recognition**

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

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

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

**Amortised cost and effective interest rate**

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

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.3 IFRS 9 Financial Instruments (continued)**

**3.3.1 Changes in accounting policies (continued):**

**3.3.1.1 Financial assets and liabilities (continued):**

**ii. Classification and subsequent measurement of financial assets**

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

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

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

**Debt instruments**

Classification and subsequent measurement of debt instruments depend on:

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

**Business model:**

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

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

**Solely payments of principal and profit:**

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

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

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

**Amortised cost:**

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

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.3 IFRS 9 Financial Instruments (continued)**

**3.3.1 Changes in accounting policies (continued):**

**3.3.1.1 Financial assets and liabilities (continued):**

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

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

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

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

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

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

**Equity instruments**

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

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

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

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

**3.3.1.2 Impairment of financial assets**

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.3 IFRS 9 Financial Instruments (continued)**

**3.3.1 Changes in accounting policies (continued):**

**3.3.1.2 Impairment of financial assets (continued):**

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

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

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

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

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

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

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

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

**3.3.1.3 Derecognition of financial assets**

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

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

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



**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.3 IFRS 9 Financial Instruments (continued)**

**3.3.1.4 Classification and subsequent measurement of financial liabilities**

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

**3.3.1.5 Derecognition of financial liabilities**

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

**3.3.2 Changes to classification and measurement**

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

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

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

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

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

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

**3.3.3 Changes to the impairment calculation**

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

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

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.3 IFRS 9 Financial Instruments (continued)**

**3.3.3 Changes to the impairment calculation (continued)**

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

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

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

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

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

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

**3.3.4 Transition disclosures**

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

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

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

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

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

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

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.4 IFRS 9 Financial Instruments (continued)**

**3.3.4 Transition disclosures (continued)**

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

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

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

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

**3.5 Critical accounting judgments, estimates and assumptions**

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

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied to the annual financial statements as at and for the year ended 31 December 2022 except for points (i) to (v) below, which changed upon adoption of IFRS 17 and IFRS 9.

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

**i. Estimates of future cash flows to fulfil insurance contracts**

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

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.5 Critical accounting judgments, estimates and assumptions (continued)**

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

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

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

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

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

**ii. Discounting methodology**

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

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

**iii. Risk adjustment for non-financial risks**

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.5 Critical accounting judgments, estimates and assumptions (continued)**

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

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

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

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

**iv. Fair value of financial instruments**

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

**v. Contractual Service Margin (CSM):**

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

**4. CASH AND CASH EQUIVALENTS**

	<b>30 June 2023 (Unaudited)</b>			<b>31 December 2022 (Unaudited)</b>		
	<b><u>Insurance operations</u></b>	<b><u>Shareholders' Operations</u></b>	<b><u>Total</u></b>	<b><u>Insurance operations</u></b>	<b><u>Shareholders' operations</u></b>	<b><u>Total</u></b>
	<b>SAR'000</b>	<b>SAR'000</b>	<b>SAR'000</b>	<b>SAR'000</b>	<b>SAR'000</b>	<b>SAR'000</b>
Cash in hand	--	--	--	30	--	30
Cash at banks	<b>90,391</b>	<b>2,514</b>	<b>92,905</b>	184,609	78,546	263,155
Short term deposits	<b>41,516</b>	<b>5,195</b>	<b>46,711</b>	--	--	--
	<b>131,907</b>	<b>7,709</b>	<b>139,616</b>	184,639	78,546	263,185
Less: allowance for expected credit loss	<b>(3)</b>	<b>(1)</b>	<b>(4)</b>	--	(6)	(6)
Total	<b>131,904</b>	<b>7,708</b>	<b>139,612</b>	184,639	78,540	263,179

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

Short term deposits represent deposits with Bank AlJazira "the founding shareholder" that have an original maturity of less than 90 days and carry commission at an average rate of 5.30% to 5.40% per annum.

**5. INVESTMENTS HELD TO COVER UNIT-LINKED LIABILITIES**

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

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

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

<b>Insurance Operations</b>	<b>Denomination</b>	<b>30 June 2023 (Unaudited) SAR'000</b>	<b>31 December 2022 (Unaudited) SAR'000</b>
AlJazira Saudi Equities Fund	SAR	408,484	337,672
AlJazira Diversified Aggressive Fund	SAR	252,556	211,504
AlJazira International Equities Fund	USD	203,279	181,837
AlJazira Japanese Equities Fund	USD	184,165	160,572
AlJazira European Equities Fund	USD	162,603	151,413
AlJazira Saudi Riyal Murabaha Fund	SAR	147,147	148,585
AlJazira Diversified Balanced Fund	SAR	75,278	65,521
AlJazira Diversified Conservative Fund	SAR	24,500	21,402
<b>Total</b>		<b>1,458,012</b>	<b>1,278,506</b>

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

	<b>Six-month period ended 30 June 2023 (Unaudited) SAR'000</b>	<b>Year ended 31 December 2022 (Unaudited) SAR'000</b>
Balance at the beginning of the period / year	1,278,506	1,524,882
Redemptions during the period / year, net	(31,825)	(47,540)
Changes in fair value during the period / year	211,331	(198,836)
<b>Balance at the end of the period / year</b>	<b>1,458,012</b>	<b>1,278,506</b>

**6. INVESTMENTS**

	<b>30 June 2023 (Unaudited)</b>			<b>31 December 2022 (Unaudited)</b>		
	<b>Insurance operations (Unaudited) SAR'000</b>	<b>Shareholders' operations (Unaudited) SAR'000</b>	<b>Total (Unaudited) SAR'000</b>	<b>Insurance operations (Unaudited) SAR'000</b>	<b>Shareholders' operations (Unaudited) SAR'000</b>	<b>Total (Unaudited) SAR'000</b>
<b>Investments held at FVTPL (note 6.1)</b>						
Mutual funds	16,718	9,176	25,894	56,394	33,503	89,897
Equity shares – quoted	--	3,830	3,830	--	3,473	3,473
Sukuks	100,666	146,410	247,076	--	95,780	95,780
	<b>117,384</b>	<b>159,416</b>	<b>276,800</b>	<b>56,394</b>	<b>132,756</b>	<b>189,150</b>
<b>Investment held at FVOCI (note 6.2)</b>						
Equity shares in Najm	--	39,703	39,703	--	39,703	39,703
<b>Investments held at amortised cost (note 6.3)</b>						
Sukuks	--	407,455	407,455	--	414,499	414,499
Murabaha deposits	--	100,000	100,000	--	--	--
Less: allowance for expected credit loss	--	(50)	(50)	--	(30)	(30)
	<b>--</b>	<b>507,405</b>	<b>507,405</b>	<b>--</b>	<b>414,469</b>	<b>414,469</b>

# ALJAZIRA TAKAFUL TAAWUNI COMPANY

## (A SAUDI JOINT STOCK COMPANY)

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

At 30 June 2023

#### 6. INVESTMENTS (continued)

##### 6.1 Investments held at fair value through profit or loss:

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

30 June 2023 (Unaudited)

	<i>Insurance operations SAR'000</i>	<i>Shareholders' Operations SAR'000</i>	<i>Total SAR'000</i>
Balance at beginning of the period	56,394	132,756	189,150
Purchased during the period	100,500	49,500	150,000
Disposals during the period	(40,412)	(24,695)	(65,107)
Fair value movement	902	1,855	2,757
<b>Balance at the end of the period</b>	<b>117,384</b>	<b>159,416</b>	<b>276,800</b>

31 December 2022 (Unaudited)

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

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

This represents the Company's holding of 3.45% (31 December 2022: 3.45%) in Najm for Insurance Services Company, a Saudi Closed Joint Stock Company. These shares are un-quoted and are carried at fair value. The Company has determined the fair value of its investment in Najm to be SAR 37 million at as 31 December 2021 and SAR 39.7 million as at 31 December 2022 based on the valuation exercise performed by an independent valuer. This investment was previously carried at initial cost of SAR 1.9 million until 31 December 2021 under IAS 39. Accordingly, the required adjustments to bring the carrying value of such investment to its fair value, in accordance with the requirements of IFRS 9 have been recorded in the opening equity as of 1 January 2022 and 31 December 2022.

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

**6. INVESTMENTS (continued)**

**6.3 Investments held at amortised cost:**

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

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

	<i>30 June 2023 (Unaudited)</i>		
	<i>Insurance operations SAR '000</i>	<i>Shareholders' operations SAR '000</i>	<i>Total SAR '000</i>
Balance at the beginning of the period	--	414,499	414,499
Investments matured during the period	--	(6,769)	(6,769)
Commission income during the period	--	5,829	5,829
Commission received during the period	--	(6,104)	(6,104)
<b>Balance at the end of the period - gross</b>	--	<b>407,455</b>	<b>407,455</b>
Less: allowance for expected credit loss	--	(50)	(50)
<b>Balance at the end of the period - net</b>	--	<b>407,405</b>	<b>407,405</b>

	<i>31 December 2022 (Unaudited)</i>		
	<i>Insurance operations SAR '000</i>	<i>Shareholders' operations SAR '000</i>	<i>Total SAR '000</i>
Balance at the beginning of the year	--	431,478	431,478
Commission income during the year	--	11,476	11,476
Commission received during the year	--	(12,069)	(12,069)
Investments matured during the year	--	(16,386)	(16,386)
Balance at the end of the year	--	414,499	414,499
less: allowance for expected credit loss	--	(30)	(30)
<b>Balance at the end of the period - net</b>	--	<b>414,469</b>	<b>414,469</b>

**6.3.2.** Investments held at amortised cost also represent Murabaha deposit of SR 100 million (31 December 2022: Nil) with a maturity period of more than 90 days and carry commission at the average rate of 5.8% to 6.05% per annum (31 December 2022: Nil). During the year the Company recorded commission income from Murabaha deposit amounting to SR 1.7 million (December 2022: Nil)



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

**7. INSURANCE AND REINSURANCE CONTRACTS**

**7.1 Composition of statement of financial position**

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

	Non-life	Individual life	Group life	Total
	SAR'000			
<b><u>30 June 2023 (Unaudited)</u></b>				
<b>Insurance contracts:</b>				
Insurance contract liabilities (see below notes)	170,240	1,461,775	54,412	1,686,427
<b>Reinsurance contracts:</b>				
Reinsurance contract assets (see below notes)	(12,507)	--	(20,998)	(33,505)
Reinsurance contract liabilities (see below notes)	--	3,067	--	3,067
	Non-life	Individual life	Group life	Total
	SAR'000			
<b><u>31 December 2022 (Unaudited)</u></b>				
<b>Insurance contracts:</b>				
Insurance contract liabilities (see below notes)	208,292	1,267,340	31,610	1,507,242
<b>Reinsurance contracts:</b>				
Reinsurance contract assets (see below notes)	(22,489)	--	(11,522)	(34,011)
Reinsurance contract liabilities (see below notes)	--	4,746	--	4,746

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

7. INSURANCE AND REINSURANCE CONTRACTS (continued)

7.2 Movements in insurance and reinsurance contract balances

7.2.1 Non-life insurance contracts:

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

	Non-life				
	As at 30 June 2023 (Unaudited)				
	Liability for remaining coverage (LRC)		Liability for incurred claims (LIC)		Total
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non- financial risk	
	SAR'000				
<b>Insurance contracts</b>					
Insurance contract liabilities – opening	78,389	17,481	107,458	4,964	208,292
Insurance contract assets – opening	--	--	--	--	--
<b>Opening balance – net (unaudited)</b>	<b>78,389</b>	<b>17,481</b>	<b>107,458</b>	<b>4,964</b>	<b>208,292</b>
<b>Changes in the statement of income</b>					
<b>Insurance revenue (note 8)</b>	<b>(102,648)</b>	--	--	--	<b>(102,648)</b>
<b>Insurance service expenses</b>					
Incurred claims and other directly attributable expenses (note 8)	--	--	95,046	(224)	94,822
Insurance acquisition cashflows amortization (note 8)	5,472	--	--	--	5,472
Reversals of losses on onerous contracts (note 8)	--	(17,481)	--	--	(17,481)
Changes that relate to past service - adjustments to the LIC (note 8)	--	--	(6,691)	(1,678)	(8,369)
<b>Insurance service expenses</b>	<b>5,472</b>	<b>(17,481)</b>	<b>88,355</b>	<b>(1,902)</b>	<b>74,444</b>
Finance expense from insurance contracts (note 9)	--	--	1,412	73	1,485
<b>Total changes in the statement of income</b>	<b>(97,176)</b>	<b>(17,481)</b>	<b>89,767</b>	<b>(1,829)</b>	<b>(26,719)</b>
<b>Cashflows</b>					
Premiums received	82,593	--	--	--	82,593
Claims and other directly attributable expenses paid	--	--	(88,454)	--	(88,454)
Insurance acquisition cashflows paid	(5,472)	--	--	--	(5,472)
<b>Total cash inflows / (outflows)</b>	<b>77,121</b>	<b>--</b>	<b>(88,454)</b>	<b>--</b>	<b>(11,333)</b>
<b>Net closing balance</b>	<b>58,334</b>	<b>--</b>	<b>108,771</b>	<b>3,135</b>	<b>170,240</b>
Insurance contract liabilities – closing	58,334	--	108,771	3,135	170,240
Insurance contract assets – closing	--	--	--	--	--
<b>Closing balance – net (unaudited)</b>	<b>58,334</b>	<b>--</b>	<b>108,771</b>	<b>3,135</b>	<b>170,240</b>

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

**7. INSURANCE AND REINSURANCE CONTRACTS (continued)**

**7.2 Movements in insurance and reinsurance contract balances (continued)**

**7.2.1 Non-life insurance contracts (continued):**

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

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

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

7. INSURANCE AND REINSURANCE CONTRACTS (continued)

7.2 Movements in insurance and reinsurance contract balances (continued)

7.2.2 Non-life reinsurance contracts:

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

	<u>Non-life</u>				
	<u>As at 30 June 2023 (Unaudited)</u>				
	<u>Asset for remaining coverage</u>		<u>Asset for incurred claims</u>		<u>Total</u>
	<u>Excluding loss recovery component</u>	<u>Loss recovery component</u>	<u>Estimates of present value of FCF</u>	<u>Risk adjustment for non-financial risk</u>	
	<i>SAR'000</i>				
<u>Reinsurance contracts</u>					
Reinsurance contract assets – opening	(5,646)	(62)	(15,803)	(978)	(22,489)
Reinsurance contract liabilities – opening	--	--	--	--	--
<b>Opening balance – net (unaudited)</b>	<b>(5,646)</b>	<b>(62)</b>	<b>(15,803)</b>	<b>(978)</b>	<b>(22,489)</b>
<u>Changes in the statement of income</u>					
<b>Allocation of reinsurance premium paid</b>	<b>13,665</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>13,665</b>
<b>Amounts recoverable from reinsurers</b>					
Recoveries of incurred claims and other insurance service expenses	--	--	(1,136)	978	(158)
Recoveries and reversals of recoveries of losses on onerous underlying contracts	--	62	--	--	62
Changes that relate to past service – adjustments to the LIC	--	--	2,112	--	2,112
<b>Amounts recoverable from reinsurers – net</b>	<b>--</b>	<b>62</b>	<b>976</b>	<b>978</b>	<b>2,016</b>
Finance income from reinsurance contracts (note 9)	--	--	(109)	--	(109)
<b>Total changes in the statement of income</b>	<b>13,665</b>	<b>62</b>	<b>867</b>	<b>978</b>	<b>15,572</b>
<b>Cashflows</b>					
Premiums ceded and acquisition cashflows paid	(5,795)	--	--	--	(5,795)
Recoveries from reinsurance	--	--	205	--	205
<b>Total cash (outflows) / inflows</b>	<b>(5,795)</b>	<b>--</b>	<b>205</b>	<b>--</b>	<b>(5,590)</b>
<b>Net closing balance</b>	<b>2,224</b>	<b>--</b>	<b>(14,731)</b>	<b>--</b>	<b>(12,507)</b>
Reinsurance contract assets – closing	2,224	--	(14,731)	--	(12,507)
Reinsurance contract liabilities – closing	--	--	--	--	--
<b>Closing balance – net (unaudited)</b>	<b>2,224</b>	<b>--</b>	<b>(14,731)</b>	<b>--</b>	<b>(12,507)</b>

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

7. INSURANCE AND REINSURANCE CONTRACTS (continued)

7.2 Movements in insurance and reinsurance contract balances (continued)

7.2.2 Non-life reinsurance contracts (continued):

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

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

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

**7. INSURANCE AND REINSURANCE CONTRACTS (continued)**

**7.2 Movements in insurance and reinsurance contract balances (continued)**

**7.2.3 Individual life insurance contracts:**

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

	Individual life				
	As at 30 June 2023 (Unaudited)				
	Liability for remaining coverage		Liability for incurred claims		Total
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non-financial risk	
	SAR'000				
<b>Insurance contracts</b>					
Insurance contract liabilities – opening	1,235,956	--	31,494	--	<b>1,267,450</b>
Insurance contract assets – opening	(110)	--	--	--	<b>(110)</b>
<b>Opening balance – net (unaudited)</b>	<b>1,235,846</b>	<b>--</b>	<b>31,494</b>	<b>--</b>	<b>1,267,340</b>
<b>Changes in the statement of income</b>					
<b>Insurance revenue (note 8)</b>	<b>(16,181)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(16,181)</b>
<b>Insurance service expenses</b>					
Incurred claims and other directly attributable expenses (note 8)	--	--	17,692	--	<b>17,692</b>
Changes that relate to past service – adjustments to the LIC (note 8)	--	--	--	--	<b>--</b>
Insurance acquisition cashflows amortization (note 8)	59	--	--	--	<b>59</b>
<b>Insurance service expenses</b>	<b>59</b>	<b>--</b>	<b>17,692</b>	<b>--</b>	<b>17,751</b>
Investment component	(62,218)	--	62,218	--	<b>--</b>
Net finance expense from insurance contracts (note 9)	211,344	--	--	--	<b>211,344</b>
<b>Total changes in the statement of income</b>	<b>133,004</b>	<b>--</b>	<b>79,910</b>	<b>--</b>	<b>212,914</b>
<b>Cashflows</b>					
Premiums received	76,274	--	--	--	<b>76,274</b>
Claims and other directly attributable expenses paid	--	--	(94,753)	--	<b>(94,753)</b>
Insurance acquisition cashflows	--	--	--	--	<b>--</b>
<b>Total cash inflows / (outflows)</b>	<b>76,274</b>	<b>--</b>	<b>(94,753)</b>	<b>--</b>	<b>(18,479)</b>
<b>Net closing balance</b>	<b>1,445,124</b>	<b>--</b>	<b>16,651</b>	<b>--</b>	<b>1,461,775</b>
Insurance contract liabilities – closing	1,445,124	--	16,651	--	<b>1,461,775</b>
Insurance contract assets – closing	--	--	--	--	<b>--</b>
<b>Closing balance – net (unaudited)</b>	<b>1,445,124</b>	<b>--</b>	<b>16,651</b>	<b>--</b>	<b>1,461,775</b>

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

**7. INSURANCE AND REINSURANCE CONTRACTS (continued)**

**7.2 Movements in insurance and reinsurance contract balances (continued)**

**7.2.3 Individual life insurance contracts (continued):**

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

	<b>Individual life</b>			
	<b>As at 30 June 2023 (Unaudited)</b>			
	Estimates of PV of Future Cash Flows	Risk Adjustment	Contractual Service Margin (CSM)	<b>Total</b>
	<b>SAR'000</b>			
<b>Insurance contracts</b>				
Insurance contract liabilities – opening	1,124,937	558	141,955	<b>1,267,450</b>
Insurance contract assets – opening	(1,551)	30	1,411	<b>(110)</b>
<b>Opening balance – net (unaudited)</b>	<b>1,123,386</b>	<b>588</b>	<b>143,366</b>	<b>1,267,340</b>
<b><u>Changes in the statement of income</u></b>				
<b>Changes related to current services</b>				
CSM recognised for services provided	--	--	(12,444)	<b>(12,444)</b>
Change in risk adjustment for non-financial risk for risk expired	--	(87)	--	<b>(87)</b>
Experience adjustments	(8,722)	--	--	<b>(8,722)</b>
<b>Changes that relate to future services</b>				
Contracts initially recognised in the period	(3,287)	22	3,265	<b>--</b>
Changes in estimates that adjust the CSM	19,142	--	3,681	<b>22,823</b>
<b>Changes that relate to past services</b>	--	--	--	<b>--</b>
Net finance expense from insurance contracts (note 9)	198,651	--	12,693	<b>211,344</b>
<b>Total changes in the statement of income</b>	<b>205,784</b>	<b>(65)</b>	<b>7,195</b>	<b>212,914</b>
<b>Cashflows</b>				
Premiums received	76,274	--	--	<b>76,274</b>
Claims and other directly attributable expenses paid	(94,753)	--	--	<b>(94,753)</b>
Insurance acquisition cashflows	--	--	--	<b>--</b>
<b>Total cash outflows</b>	<b>(18,479)</b>	<b>--</b>	<b>--</b>	<b>(18,479)</b>
<b>Net closing balance</b>	<b>1,310,691</b>	<b>523</b>	<b>150,561</b>	<b>1,461,775</b>
Insurance contract liabilities – closing	1,310,691	523	150,561	<b>1,461,775</b>
Insurance contract assets – closing	--	--	--	<b>--</b>
<b>Closing balance – net (unaudited)</b>	<b>1,310,691</b>	<b>523</b>	<b>150,561</b>	<b>1,461,775</b>

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

**7. INSURANCE AND REINSURANCE CONTRACTS (continued)**

**7.2 Movements in insurance and reinsurance contract balances (continued)**

**7.2.3 Individual life insurance contracts (continued):**

**Analysis by remaining coverage and incurred claims:**

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



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

**7. INSURANCE AND REINSURANCE CONTRACTS (continued)**

**7.2 Movements in insurance and reinsurance contract balances (continued)**

**7.2.3 Individual life insurance contracts (continued):**

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

	Individual life			
	As at 31 December 2022 (Unaudited)			
	Estimates of PV of Future Cash Flows	Risk Adjustment	Contractual Service Margin	Total
	SAR '000			
<u>Insurance contracts</u>				
Insurance contract liabilities – opening	1,331,874	583	155,550	1,488,007
Insurance contract assets – opening	(1,668)	26	1,575	(67)
Opening balance – net (unaudited)	1,330,206	609	157,125	1,487,940
<u>Changes in the statement of income</u>				
Changes related to current services:				
CSM recognised for services provided	--	--	(23,416)	(23,416)
Change in risk adjustment for non-financial risk for risk expired	--	(90)	--	(90)
Experience adjustments	(65,114)	--	--	(65,114)
Changes that relate to future services:				
Contracts initially recognised in the period	(6,095)	69	6,026	--
Changes in estimates that adjust the CSM	83,652	--	(6,350)	77,302
Changes that relate to past services	--	--	--	--
Net finance expense from insurance contracts	(208,798)	--	9,981	(198,817)
Total changes in the statement of income	(196,355)	(21)	(13,759)	(210,135)
<u>Cashflows</u>				
Premiums received	171,058	--	--	171,058
Claims and other directly attributable expenses paid	(180,656)	--	--	(180,656)
Insurance acquisition cashflows	(867)	--	--	(867)
Total cash inflows	(10,465)	--	--	(10,465)
Net closing balance	1,123,386	588	143,366	1,267,340
Insurance contract liabilities – closing	1,124,937	558	141,955	1,267,450
Insurance contract assets – closing	(1,551)	30	1,411	(110)
Closing balance – net (unaudited)	1,123,386	588	143,366	1,267,340

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

7. INSURANCE AND REINSURANCE CONTRACTS (continued)

7.2 Movements in insurance and reinsurance contract balances (continued)

7.2.4 Individual life reinsurance contracts (continued):

	Individual Life As at 30 June 2023 (Unaudited)				
	Asset for remaining coverage		Asset for incurred claims		Total
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non- financial risk	
	SAR'000				
<b>Reinsurance contracts</b>					
Reinsurance contract assets – opening	--	--	--	--	--
Reinsurance contract liabilities – opening	8,565	--	(3,819)	--	4,746
<b>Opening balance – net (unaudited)</b>	<b>8,565</b>	<b>--</b>	<b>(3,819)</b>	<b>--</b>	<b>4,746</b>
<b>Changes in the statement of income</b>					
<b>Allocation of reinsurance premium paid</b>	<b>3,158</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>3,158</b>
<b>Amounts recoverable from reinsurers</b>					
Recoveries of incurred claims and other insurance service expenses	--	--	(3,121)	--	(3,121)
<b>Amounts recoverable from reinsurers – net</b>	<b>--</b>	<b>--</b>	<b>(3,121)</b>	<b>--</b>	<b>(3,121)</b>
Finance expense from reinsurance contracts (note 9)	123	--	--	--	123
<b>Total changes in the statement of income</b>	<b>3,281</b>	<b>--</b>	<b>(3,121)</b>	<b>--</b>	<b>160</b>
<b>Cashflows</b>					
Premiums ceded and acquisition cashflows paid	(5,713)	--	--	--	(5,713)
Recoveries from reinsurance	--	--	3,874	--	3,874
<b>Total cash (outflows) / inflows</b>	<b>(5,713)</b>	<b>--</b>	<b>3,874</b>	<b>--</b>	<b>(1,839)</b>
<b>Net closing balance</b>	<b>6,133</b>	<b>--</b>	<b>(3,066)</b>	<b>--</b>	<b>3,067</b>
Reinsurance contracts:					
Reinsurance contract assets – closing	--	--	--	--	--
Reinsurance contract liabilities – closing	6,133	--	(3,066)	--	3,067
<b>Closing balance – net (unaudited)</b>	<b>6,133</b>	<b>--</b>	<b>(3,066)</b>	<b>--</b>	<b>3,067</b>

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

7. INSURANCE AND REINSURANCE CONTRACTS (continued)

7.2 Movements in insurance and reinsurance contract balances (continued)

7.2.4 Individual life reinsurance contracts (continued):

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

	Individual life As at 30 June 2023 (Unaudited)			
	Estimates of PV of Future Cash Flows	Risk Adjustment	Contractual Service Margin	Total
	SAR'000			
<b>Reinsurance contracts</b>				
Reinsurance contract liabilities – opening	23,353	(10)	(18,597)	4,746
Reinsurance contract assets – opening	--	--	--	--
<b>Opening balance – net (unaudited)</b>	<b>23,353</b>	<b>(10)</b>	<b>(18,597)</b>	<b>4,746</b>
<b>Changes in the statement of income</b>				
<b>Changes related to current services</b>				
CSM recognised for services provided	--	--	9	9
Change in risk adjustment for non-financial risk for risk expired	--	6	--	6
Experience adjustments	22	--	--	22
<b>Changes that relate to future services</b>				
Contracts initially recognised in the year	45	--	(45)	--
Changes in estimates that adjust the CSM	(13,069)	(19)	13,088	--
<b>Changes that relate to past services</b>	--	--	--	--
Finance expense / (income) from reinsurance contracts (note 9)	258	--	(135)	123
<b>Total changes in the statement of income</b>	<b>(12,744)</b>	<b>(13)</b>	<b>12,917</b>	<b>160</b>
<b>Cashflows</b>				
Premiums paid	(5,713)	--	--	(5,713)
Claims and other directly attributable expenses recovered	3,874	--	--	3,874
<b>Total cash outflows</b>	<b>(1,839)</b>	<b>--</b>	<b>--</b>	<b>(1,839)</b>
<b>Net closing balance</b>	<b>8,770</b>	<b>(23)</b>	<b>(5,680)</b>	<b>3,067</b>
Reinsurance contracts				
Reinsurance contract liabilities – closing	8,770	(23)	(5,680)	3,067
Reinsurance contract assets – closing	--	--	--	--
<b>Closing balance – net (unaudited)</b>	<b>8,770</b>	<b>(23)</b>	<b>(5,680)</b>	<b>3,067</b>

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

7. INSURANCE AND REINSURANCE CONTRACTS (continued)

7.2 Movements in insurance and reinsurance contract balances (continued)

7.2.4 Individual life reinsurance contracts (continued):

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

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

**7. INSURANCE AND REINSURANCE CONTRACTS (continued)**

**7.2 Movements in insurance and reinsurance contract balances (continued)**

**7.2.4 Individual life reinsurance contracts (continued):**

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

	Individual life As at 31 December 2022 (Unaudited)			
	Estimates of PV of Future Cash Flows	Risk Adjustment	Contractual Service Margin	Total
	SAR '000			
<b>Reinsurance contracts</b>				
Reinsurance contract liabilities – opening	26,800	(7)	(8,999)	17,794
Reinsurance contract assets – opening	(3,191)	(3)	(3,196)	(6,390)
Opening balance – net (unaudited)	23,609	(10)	(12,195)	11,404
<b>Changes in the statement of income</b>				
Changes related to current services				
CSM recognised for services provided	--	--	2,383	2,383
Change in risk adjustment for non-financial risk for risk expired	--	(3)	--	(3)
Experience adjustments	1,098	--	--	1,098
Changes that relate to future services				
Contracts initially recognised in the year	91	--	(91)	--
Changes in estimates that adjust the CSM	5,588	3	(8,141)	(2,550)
Changes that relate to past services	(5,774)	--	--	(5,774)
Finance expense / (income) from reinsurance contracts	793	--	(553)	240
<b>Total changes in the statement of income</b>	<b>1,796</b>	<b>--</b>	<b>(6,402)</b>	<b>(4,606)</b>
<b>Cashflows</b>				
Premiums paid	(11,505)	--	--	(11,505)
Claims and other directly attributable expenses recovered	9,453	--	--	9,453
<b>Total cash outflows</b>	<b>(2,052)</b>	<b>--</b>	<b>--</b>	<b>(2,052)</b>
<b>Net closing balance</b>	<b>23,353</b>	<b>(10)</b>	<b>(18,597)</b>	<b>4,746</b>
<b>Reinsurance contracts</b>				
Reinsurance contract liabilities – closing	23,353	(10)	(18,597)	4,746
Reinsurance contract assets – closing	--	--	--	--
<b>Closing balance – net (unaudited)</b>	<b>23,353</b>	<b>(10)</b>	<b>(18,597)</b>	<b>4,746</b>

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

7. INSURANCE AND REINSURANCE CONTRACTS (continued)

7.2 Movements in insurance and reinsurance contract balances

7.2.5 Group life insurance contracts:

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

	Group life				
	As at 30 June 2023 (Unaudited)				
	Liability for remaining coverage		Liability for incurred claims		Total
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non-financial risk	
	SAR'000				
<b>Insurance contracts</b>					
Insurance contract liabilities – opening	(10,331)	--	40,528	1,413	31,610
Insurance contract assets – opening	--	--	--	--	--
<b>Opening balance – net (unaudited)</b>	<b>(10,331)</b>	<b>--</b>	<b>40,528</b>	<b>1,413</b>	<b>31,610</b>
<b>Changes in the statement of income</b>					
<b>Insurance revenue (note 8)</b>	<b>(23,117)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(23,117)</b>
<b>Insurance service expenses</b>					
Incurred claims and other directly attributable expenses (note 8)	--	--	20,470	1,869	22,339
Insurance acquisition cashflows amortization (note 8)	--	--	--	--	--
Losses and reversals of losses on onerous contracts (note 8)	--	--	--	--	--
Changes that relate to past service - adjustments to the LIC (note 8)	--	--	(2,786)	(920)	(3,706)
<b>Insurance service expenses</b>	<b>--</b>	<b>--</b>	<b>17,684</b>	<b>949</b>	<b>18,633</b>
Finance expense from insurance contracts (note 9)	--	--	704	49	753
<b>Total changes in the statement of income</b>	<b>(23,117)</b>	<b>--</b>	<b>18,388</b>	<b>998</b>	<b>(3,731)</b>
<b>Cashflows</b>					
Premiums received	49,273	--	--	--	49,273
Claims and other directly attributable expenses paid	--	--	(22,740)	--	(22,740)
Insurance acquisition cashflows paid	--	--	--	--	--
<b>Total cash inflows / (outflows)</b>	<b>49,273</b>	<b>--</b>	<b>(22,740)</b>	<b>--</b>	<b>26,533</b>
<b>Net closing balance</b>	<b>15,825</b>	<b>--</b>	<b>36,176</b>	<b>2,411</b>	<b>54,412</b>
Insurance contract liabilities – closing	15,825	--	36,176	2,411	54,412
Insurance contract assets – closing	--	--	--	--	--
<b>Closing balance – net (unaudited)</b>	<b>15,825</b>	<b>--</b>	<b>36,176</b>	<b>2,411</b>	<b>54,412</b>

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

**7. INSURANCE AND REINSURANCE CONTRACTS (continued)**

**7.2 Movements in insurance and reinsurance contract balances**

**7.2.5 Group life insurance contracts:**

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

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

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

7. INSURANCE AND REINSURANCE CONTRACTS (continued)

7.2 Movements in insurance and reinsurance contract balances

7.2.6 Group life reinsurance contracts:

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

	Group life				
	As at 30 June 2023 (Unaudited)				
	Asset for remaining coverage		Asset for incurred claims		Total
	Excluding loss recovery component	Loss recovery component	Estimates of present value of FCF	Risk adjustment for non-financial risk	
	SAR'000				
<b>Reinsurance contracts</b>					
Reinsurance contract assets – opening	16,922	--	(27,624)	(820)	(11,522)
Reinsurance contract liabilities – opening	--	--	--	--	--
<b>Opening balance – net (unaudited)</b>	<b>16,922</b>	<b>--</b>	<b>(27,624)</b>	<b>(820)</b>	<b>(11,522)</b>
<b>Changes in the statement of income</b>					
<b>Allocation of reinsurance premium paid</b>	<b>18,032</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>18,032</b>
<b>Amounts recoverable from reinsurers</b>					
Recoveries of incurred claims and other insurance service expenses	--	--	(14,392)	(1,858)	(16,250)
Recoveries and reversals of recoveries of losses on onerous underlying contracts	--	--	--	--	--
Changes that relate to past service – adjustments to the LIC	--	--	(3,934)	704	(3,230)
<b>Amounts recoverable from reinsurers – net</b>	<b>--</b>	<b>--</b>	<b>(18,326)</b>	<b>(1,154)</b>	<b>(19,480)</b>
Finance income from reinsurance contracts (note 9)	--	--	(564)	(39)	(603)
<b>Total changes in the statement of income</b>	<b>18,032</b>	<b>--</b>	<b>(18,890)</b>	<b>(1,193)</b>	<b>(2,051)</b>
<b>Cashflows</b>					
Premiums ceded and acquisition cashflows paid	(24,994)	--	--	--	(24,994)
Recoveries from reinsurance	--	--	17,569	--	17,569
<b>Total cash (outflows) / inflows</b>	<b>(24,994)</b>	<b>--</b>	<b>17,569</b>	<b>--</b>	<b>(7,425)</b>
<b>Net closing balance</b>	<b>9,960</b>	<b>--</b>	<b>(28,945)</b>	<b>(2,013)</b>	<b>(20,998)</b>
Reinsurance contract assets – closing	9,960	--	(28,945)	(2,013)	(20,998)
Reinsurance contract liabilities – closing	--	--	--	--	--
<b>Closing balance – net (unaudited)</b>	<b>9,960</b>	<b>--</b>	<b>(28,945)</b>	<b>(2,013)</b>	<b>(20,998)</b>



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

7. INSURANCE AND REINSURANCE CONTRACTS (continued)

7.2 Movements in insurance and reinsurance contract balances

7.2.6 Group life reinsurance contracts:

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

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

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

**8. INSURANCE REVENUE AND EXPENSES**

	For the six-month period ended 30 June 2023 (Unaudited)			
	Non-life	Individual Life	Group Life	Total
	SAR'000			
<b>Contracts not measured under the PAA</b>				
Amounts relating to changes in liabilities for remaining coverage:				
Expected incurred claims and other insurance service expenses	--	6,504	--	<b>6,504</b>
Change in risk adjustment for non-financial risk for risk expired	--	30	--	<b>30</b>
CSM recognized for services provided	--	10,444	--	<b>10,444</b>
Experience adjustments	--	(797)	--	<b>(797)</b>
<b>Insurance revenue from contracts not measured under the PAA</b>	--	16,181	--	<b>16,181</b>
<b>Insurance revenue from contracts measured under the PAA</b>	102,648	--	23,117	<b>125,765</b>
<b>Insurance revenue – total</b>	<b>102,648</b>	<b>16,181</b>	<b>23,117</b>	<b>141,946</b>
<b>Insurance service expenses</b>				
Incurred claims and other directly attributable expenses*	(94,822)	(17,692)	(22,339)	(134,853)
Insurance acquisition cashflows amortization	(5,472)	(59)	--	(5,531)
Reversals of losses on onerous contracts	17,481	--	--	17,481
Changes that relate to past service - adjustments to the LIC	8,369	--	3,706	12,075
<b>Insurance service expenses – total</b>	<b>(74,444)</b>	<b>(17,751)</b>	<b>(18,633)</b>	<b>(110,828)</b>
<b>Net (expenses) / income from reinsurance contracts held</b>	<b>(15,682)</b>	<b>(37)</b>	<b>1,448</b>	<b>(14,271)</b>
<b>Total Insurance service result</b>	<b>12,522</b>	<b>(1,607)</b>	<b>5,932</b>	<b>16,847</b>

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

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

**8. INSURANCE REVENUE AND EXPENSES (continued)**

	For the six-month period ended 30 June 2022 (Unaudited)			
	Non-life	Individual Life	Group Life	Total
	SAR '000			
Contracts not measured under the PAA:				
Amounts relating to changes in liabilities for remaining coverage:				
Expected incurred claims and other insurance service expenses	--	7,857	--	7,857
Change in risk adjustment for non-financial risk for risk expired	--	89	--	89
CSM recognized for services provided	--	8,575	--	8,575
Experience adjustments	--	465	--	465
Insurance revenue from contracts not measured under the PAA	--	16,986	--	16,986
Insurance revenue from contracts measured under the PAA	43,958	--	27,095	71,053
Insurance revenue – total	43,958	16,986	27,095	88,039
Insurance service expenses				
Incurred claims and other directly attributable expenses*	(24,008)	(10,136)	(26,490)	(60,634)
Insurance acquisition cashflows amortization	(3,219)	51	--	(3,168)
Reversals of losses and (loss) on onerous contracts	(2,141)	--	--	(2,141)
Changes that relate to past service - adjustments to the LIC	98	--	26,666	26,764
Insurance service expenses - total	(29,270)	(10,085)	176	(39,179)
Net (expenses) / income from reinsurance contracts held	(7,940)	792	(19,847)	(26,995)
Total Insurance service result	6,748	7,693	7,424	21,865

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

**9. INSURANCE FINANCE (EXPENSE) / INCOME**

	Non-life	Individual life	Group life	Total
<b>30 June 2023 – (unaudited)</b>				
Finance expense from insurance contracts issued	(1,485)	(211,344)	(753)	(213,582)
Finance (expense) / income from reinsurance contracts held	109	(123)	603	589
<b>Finance expense – net</b>	<b>(1,376)</b>	<b>(211,467)</b>	<b>(150)</b>	<b>(212,993)</b>
	Non-life	Individual life	Group life	Total
<b>30 June 2022 – (unaudited)</b>				
Finance (expense) / income from insurance contracts issued	(343)	203,818	(303)	203,172
Finance (expense) / income from reinsurance contracts held	73	(220)	258	111
<b>Finance (expense) / income - net</b>	<b>(270)</b>	<b>203,598</b>	<b>(45)</b>	<b>203,283</b>

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

**10. STATUTORY RESERVE**

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

**11. STATUTORY DEPOSIT**

In compliance with Article 58 of the Implementing Regulations of SAMA, the Company has deposited 10% of its share capital amounting to SAR 55,000 thousand as at 30 June 2023 (31 December 2022: SAR 55,000 thousand) in a bank designated by SAMA. On adoption of IFRS 9, the Company has recorded allowance for expected credit loss of SAR 9 thousand as at 30 June 2023 (31 December 2022: SAR 9 thousand).

The amount of statutory deposit cannot be withdrawn without SAMA's approval. This deposit is held with Bank AlJazira "the founding shareholder".

**12. TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

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

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

<u>Related parties</u>	<u>Nature of transaction</u>	<u>Amount of transactions</u>	
		<u>30 June</u> <u>2023</u> <u>(unaudited)</u> <u>SAR'000</u>	<u>30 June</u> <u>2022</u> <u>(unaudited)</u> <u>SAR'000</u>
<i>Bank AlJazira</i>	Commission income on deposits	2,884	1
	Insurance policies sold	6,004	10,536
	Claims paid	20,338	15,594
	Investment in sukuk	150,000	--
<i>AlJazira Capital</i>	Profit earned on mutual funds	1,498	1,245
	Other income	4,777	5,175
	Custodian charges	148	195
	Insurance policies sold	490	0
<i>Durrah Advanced Development Company</i>	Insurance policies sold	2,554	2,756
<i>Consolidated Brother Company</i>	Insurance policies sold	20	3
	Commission	--	3
<i>Board of directors and committee members</i>	Insurance policies sold	26	179
<i>Key management personnel</i>	Salaries, benefits and allowances, net	2,652	2,656
	Insurance policies sold	4	5

**12.2 Amount due from a related party**

	<u>30 June</u> <u>2023</u> <u>(Unaudited)</u> <u>SAR'000</u>	<u>31 December</u> <u>2022</u> <u>(Unaudited)</u> <u>SAR'000</u>
AlJazira Capital	813	2,807
	<u>813</u>	<u>2,807</u>

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

**13. ZAKAT AND INCOME TAX**

The Zakat and income tax payable by the Company has been calculated in accordance with Zakat and income tax regulations in the Kingdom of Saudi Arabia. The movement in the Zakat and income tax payable during the six-month period ended 30 June 2023 and year ended 31 December 2022 is as follows:

**13.1 Zakat**

	<b>30 June 2023 (Unaudited) SAR'000</b>	<b>31 December 2022 (Unaudited) SAR'000</b>
Balance at the beginning of period / year	<b>3,136</b>	2,838
Zakat for the period / year	<b>1,024</b>	1,000
Zakat paid during the period / year	<b>(920)</b>	(702)
	<hr/>	<hr/>
Balance at the end of the period / year	<b>3,240</b>	3,136
	<hr/> <hr/>	<hr/> <hr/>

**13.2 Income tax**

	<b>30 June 2023 (Unaudited) SAR'000</b>	<b>31 December 2022 (Unaudited) SAR'000</b>
Balance at the beginning of period / year	<b>(228)</b>	(656)
Income tax for the period / year	<b>1,404</b>	930
Income tax paid during the period / year	<b>(571)</b>	(502)
	<hr/>	<hr/>
Balance at the end of the period / year	<b>605</b>	(228)
	<hr/> <hr/>	<hr/> <hr/>
<b>Total Zakat and Income tax at the end of the period / year</b>	<b>3,845</b>	2,908
	<hr/> <hr/>	<hr/> <hr/>

**Status of assessments**

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

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

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

**13. ZAKAT AND INCOME TAX (continued)**

**Status of assessments (continued)**

In addition, Solidarity has also submitted its Zakat and income tax returns for the years 2009 to 2020 with ZATCA and obtained restricted certificates. During the previous years, ZATCA has issued zakat and income tax assessments in respect of Solidarity for the years 2009 and 2010 and from 2012 to 2018 with additional Zakat and income tax liability of SAR 48,546 thousand. Based on these assessments, the Company submitted an objection to the General Secretariat of the Committees for Zakat and Tax, which issued several decisions to support the procedure of ZATCA. Solidarity has filed an appeal against these initial assessments and is confident of a favorable outcome. The management of the Company and their independent Zakat and income tax consultant strongly believe that Solidarity is in a strong position with respect to the aforementioned appeal. With regards to the withholding tax, ZATCA made assessments on the withholding tax returns for the years 2011, 2012, December 2017, and December 2018, and all amounts due from these assessments were paid to ZATCA. With regards to the value-added tax (VAT), ZATCA issued final assessments notices on the value-added tax returns for the year 2018, and the months of November and December 2019 and the additional amounts resulting from these assessments have been paid.

**14. EARNINGS PER SHARE**

The basic and diluted earnings per share have been calculated by dividing the net income for the period by the weighted average number of ordinary shares issued and outstanding at the period / year end. Diluted earnings per share is not applicable to the Company.

**15. FAIR VALUES OF FINANCIAL INSTRUMENTS**

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

The Company's financial assets consist of cash and cash equivalents, investments held to cover unit-linked liabilities, FVTPL investments, investments carried at amortised cost, other receivables, and financial liabilities consist of other liabilities, lease liabilities and due to a related party. The fair values of financial instruments are not materially different from their carrying values. As at 30 June 2023, apart from the investments which are carried at fair value (note 5 and 6), there were no other financial instruments held by the Company that were measured at fair value.

- b) The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:  
Level 1: quoted prices in active markets for the same instrument (i.e. without modification or repackaging);  
Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and  
Level 3: valuation techniques for which any significant input is not based on observable market data.

The following table shows the carrying amount and fair values of financial assets, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial asset and liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value, as these are either short-term in nature or carry interest rates which are based on prevalent market interest rates.

	<b>Fair value through profit or loss</b>	<b>Fair value through other comprehensive income</b>	<b>30 June 2023 (SAR'000)</b>			
			<b><u>Fair value (Unaudited)</u></b>			
			<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>
<b>Financial assets measured at fair value:</b>						
Mutual funds	1,483,907	--	--	1,483,907	--	1,483,907
Equity shares	3,830	39,703	3,830	--	39,703	43,533
Sukuks	247,076	--	--	--	247,076	247,076
<b>Total</b>	<b>1,734,813</b>	<b>39,703</b>	<b>3,830</b>	<b>1,483,907</b>	<b>286,779</b>	<b>1,774,516</b>

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

**15. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**

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

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

**16. OPERATING SEGMENT INFORMATION**

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

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

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

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

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

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

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

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

16. OPERATING SEGMENT INFORMATION (continued)

	As at 30 June 2023 (Unaudited)			
	Non- life	Individual life	Group life	Total
	SAR'000			
<b>ASSETS</b>				
Reinsurance contract assets	12,507	--	20,998	33,505
Investments held to cover unit-linked liabilities	--	1,458,012	--	1,458,012
<b>Total segment assets</b>	<b>12,507</b>	<b>1,458,012</b>	<b>20,998</b>	<b>1,491,517</b>
<b>Unallocated assets</b>				
Cash and cash equivalents				139,612
Investments held at fair value through profit or loss				276,800
Investments held at fair value through other comprehensive income				39,703
Investments held at amortised cost				507,405
Due from a related party				813
Prepayments and other assets				20,628
Property and equipment				2,828
Intangible assets				1,759
Right-of-use assets				2,117
Goodwill				232,255
Statutory deposit				54,991
<b>Total assets</b>				<b>2,770,428</b>
<b>LIABILITIES</b>				
Insurance contract liabilities	170,240	1,461,775	54,412	1,686,427
Reinsurance contract liabilities	--	3,067	--	3,067
<b>Total segment liabilities</b>	<b>170,240</b>	<b>1,464,842</b>	<b>54,412</b>	<b>1,689,494</b>
<b>Unallocated liabilities</b>				
Accrued expenses and other liabilities				151,544
Lease liabilities				2,168
Employee benefits				6,210
Zakat and income tax				3,845
<b>TOTAL LIABILITIES</b>				<b>1,853,261</b>
<b>EQUITY</b>				
Share capital				550,000
Share premium				197,286
Statutory reserve				48,303
Retained earnings				83,405
Fair value revaluation reserve				37,780
<b>TOTAL SHAREHOLDERS' EQUITY</b>				<b>916,774</b>
Remeasurement reserve of employee benefits - related to Insurance Operations				393
<b>TOTAL EQUITY</b>				<b>917,167</b>
<b>TOTAL LIABILITIES AND EQUITY</b>				<b>2,770,428</b>



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

16. OPERATING SEGMENT INFORMATION (continued)

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

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

16. OPERATING SEGMENT INFORMATION (continued)

	For the three-month period ended 30 June 2023 (Unaudited)			
	Non-life SAR'000	Individual life SAR'000	Group life SAR'000	Total SAR'000
Insurance revenue	53,633	4,262	5,114	63,009
Insurance service expenses	(33,892)	(9,517)	5,386	(38,023)
Net income / (expenses) from reinsurance contracts held	(5,851)	(957)	(8,786)	(15,594)
<b>Insurance service result</b>	<b>13,890</b>	<b>(6,212)</b>	<b>1,714</b>	<b>9,392</b>
Net income on investments measured at FVTPL				116,773
Commission income on investments measured at amortised cost				3,520
Commission income on short term deposits				575
Net impairment loss on financial assets				(60)
<b>Investment return</b>				<b>120,808</b>
Net finance expense from insurance contracts issued	(796)	(115,203)	(464)	(116,463)
Net finance income / (expense) from reinsurance contracts held	57	(60)	401	398
<b>Net financial result</b>				<b>4,743</b>
Other income				8,222
Other operating expenses				(3,339)
<b>Income for the period attributable to the shareholders before zakat and income tax</b>				<b>19,018</b>
Zakat				(566)
Income tax				(1,085)
<b>NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS</b>				<b>17,367</b>
Weighted average number of ordinary shares outstanding (in thousands of shares)				55,000
<b>Earnings per share for the period (SAR / share) (Basic and diluted)</b>				<b>0.32</b>

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

16. OPERATING SEGMENT INFORMATION (continued)

For the six-month period ended 30 June 2023 (Unaudited)				
	Non-life SAR'000	Individual life SAR'000	Group life SAR'000	Total SAR'000
Insurance revenue	102,648	16,181	23,117	141,946
Insurance service expenses	(74,444)	(17,751)	(18,633)	(110,828)
Net income / (expenses) from reinsurance contracts held	(15,682)	(37)	1,448	(14,271)
<b>Insurance service result</b>	<b>12,522</b>	<b>(1,607)</b>	<b>5,932</b>	<b>16,847</b>
Net income on investments measured at FVTPL				214,088
Commission income on investments measured at amortised cost				7,569
Commission income on short term deposits				3,490
Net impairment loss on financial assets				(66)
<b>Investment return</b>				<b>225,081</b>
Net finance expense from insurance contracts issued	(1,485)	(211,344)	(753)	(213,582)
Net finance income / (expense) from reinsurance contracts held	109	(123)	603	589
<b>Net financial result</b>				<b>12,088</b>
Other income				14,993
Other operating expenses				(17,010)
<b>Income for the period attributable to the shareholders before zakat and income tax</b>				<b>26,918</b>
Zakat				(1,024)
Income tax				(1,404)
<b>NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS</b>				<b>24,490</b>
Weighted average number of ordinary shares outstanding (in thousands of shares)				55,000
<b>Earnings per share for the period (SAR / share) (Basic and diluted)</b>				<b>0.45</b>

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

For the period ended 30 June 2023						
Breakdown of GWP	Medical	Motor	Property & casualty	Protection & Savings		Total
				Individual	Group	
Retail	--	6,626	5	74,552	--	81,183
Very small	22,960	(1,151)	--	--	--	21,809
Small	20,546	177	--	--	4	20,727
Medium	15,310	4,882	14,293	--	12	34,497
Corporate	3,094	871	--	--	(1,418)	2,547
<b>Total</b>	<b>61,910</b>	<b>11,405</b>	<b>14,298</b>	<b>74,552</b>	<b>(1,402)</b>	<b>160,763</b>

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

**16. OPERATING SEGMENT INFORMATION (continued)**

	For the three-month period ended 30 June 2022 (Unaudited)			
	Non-life	Individual life	Group life	Total
	<i>SAR '000</i>	<i>SAR '000</i>	<i>SAR '000</i>	<i>SAR '000</i>
Insurance revenue	23,414	5,527	9,212	38,153
Insurance service expenses	(23,534)	1,214	(3,825)	(26,145)
Net income / (expenses) from reinsurance contracts held	(3,803)	(5,153)	1,755	(7,201)
Insurance service result	(3,923)	1,588	7,142	4,807
Net loss on investments measured at FVTPL				(177,692)
Commission income on investments measured at amortised cost				4,804
Commission income on short term deposits				1
Net impairment loss on financial assets				(9)
Investment return				(172,896)
Net finance income / (expense) from insurance contracts issued	(168)	180,619	(155)	180,296
Net finance income / (expense) from reinsurance contracts held	35	(111)	132	56
Net financial result				7,456
Other income				(570)
Other operating expenses				(9,643)
Income for the period attributable to the shareholders before zakat and income tax				2,050
Zakat				(447)
Income tax				(552)
<b>NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS</b>				<b>1,051</b>
Weighted average number of ordinary shares outstanding (in thousands of shares)				55,000
Earnings per share for the period (SAR / share) (Basic and diluted)				0.02

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

**16. OPERATING SEGMENT INFORMATION (continued)**

	For the six-month period ended 30 June 2022 (Unaudited)			
	Individual		Group life	Total
	Non-life SAR '000	life SAR '000	SAR '000	SAR '000
Insurance revenue	43,958	16,986	27,095	88,039
Insurance service expenses	(29,270)	(10,085)	176	(39,179)
Net income / (expenses) from reinsurance contracts held	(7,940)	792	(19,847)	(26,995)
Insurance service result	6,748	7,693	7,424	21,865
Net loss on investments measured at FVTPL				(200,891)
Commission income on investments measured at amortised cost				6,026
Commission income on short term deposits				1
Net impairment loss on financial assets				(9)
Investment return				(194,873)
Net finance income / (expense) from insurance contracts issued	(343)	203,818	(303)	203,172
Net finance income / (expense) from reinsurance contracts held	73	(220)	258	111
Net financial result				8,410
Other income				6,054
Other operating expenses				(17,298)
Income for the period attributable to the shareholders before zakat and income tax				19,031
Zakat				(682)
Income tax				(697)
<b>NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS</b>				<b>17,652</b>
Weighted average number of ordinary shares outstanding (in thousands of shares)				55,000
Earnings per share for the period (SAR / share) (Basic and diluted)				0.32

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

	For the period ended 30 June 2022					
Breakdown of GWP	Medical	Motor	Property & casualty	Protection & Savings		Total
				Individual	Group	
Retail	--	24,896	123	80,104	--	105,123
Very small	3,490	(1,299)	--	--	--	2,191
Small	3,664	--	--	--	--	3,664
Medium	4,571	3,765	16,646	--	68	25,050
Corporate	461	1,395	--	--	1,238	3,094
Total	12,186	28,721	16,769	80,104	1,306	139,122

**17. SUBSEQUENT EVENTS**

There have been no significant subsequent events since the period end, that would require disclosures or adjustments in these condensed interim financial statements.

**18. COMPARATIVE INFORMATION**

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

**19. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS**

These condensed interim financial statements have been approved by the Board of Directors on 07 August 2023, corresponding to 20 Muharram 1445H.