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

**INTERIM CONDENSED
FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH
PERIODS ENDED 30 JUNE 2020**

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

**INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2020**

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INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

Introduction:

We have reviewed the accompanying interim condensed statement of financial position of AlAhli Takaful Company - a Saudi Joint Stock Company ("the Company") as at 30 June 2020 and the related interim condensed statements of income and comprehensive income for the three-month and six-month periods then ended and the interim condensed statements of changes in equity and statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review:

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

Conclusion:

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

for Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountants



Abdullah M. Al Azem
Certified Public Accountant
License No. 335

for Baker Tilly MKM & Co
Certified Public Accountants



Ayad Obeyan AlSeraihi
Certified Public Accountant
License No. 405

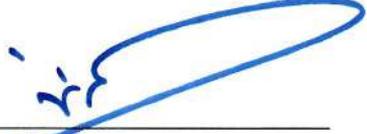


Jeddah, Kingdom of Saudi Arabia
23Dhual-Hijja 1441H
13 August 2020



ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
 As at 30 June 2020

	<i>Note</i>	<i>30 June 2020 (Unaudited) SR'000</i>	<i>31 December 2019 (Audited) SR'000</i>
ASSETS			
Cash and cash equivalents	4	32,160	19,619
Contributions and reinsurance receivables – net	5	19,688	14,569
Reinsurance share of unearned contributions	6	2,947	2,107
Reinsurance share of outstanding claims		26,365	21,088
Unit-linked investments	7	658,521	671,674
Investments	8	306,453	316,528
Accrued income	10	899	702
Prepayments and other assets		7,551	6,061
Furniture, fittings and office equipment		2,564	2,703
Intangible assets		638	852
Statutory deposit		16,667	16,667
Accrued income on statutory deposit		2,115	1,947
TOTAL ASSETS		1,076,568	1,074,517
LIABILITIES			
Accrued and other liabilities		18,035	19,976
Reinsurance balances payable		31,136	22,227
Unearned contributions	6	5,290	3,449
Technical reserve for insurance operations	9.1	674,529	684,546
Outstanding claims		48,550	43,171
Incurred but not reported (IBNR) reserves	9.2	5,304	5,053
Due to related parties	10	358	479
End-of-service indemnities		2,980	2,460
Surplus from insurance operations		21,349	20,184
Zakat and income tax	11	21,741	29,254
Dividends payable		8	8
Accrued income payable to SAMA		2,115	1,947
TOTAL LIABILITIES		831,395	832,754
EQUITY			
Share capital		166,667	166,667
Statutory reserve		30,609	29,895
Retained earnings		48,345	45,489
TOTAL SHAREHOLDERS' EQUITY		245,621	242,051
Re-measurement reserve of defined benefit obligation – Related to insurance operations		(448)	(288)
TOTAL EQUITY		245,173	241,763
TOTAL LIABILITIES AND EQUITY		1,076,568	1,074,517



 Director



 Chief Financial Officer



 Chief Executive Officer

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

INTERIM CONDENSED STATEMENT OF INCOME (UNAUDITED)

For the three-month and six-month periods ended 30 June 2020

	<i>Note</i>	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
		<i>2020 SR'000</i>	<i>2019 SR'000</i>	<i>2020 SR'000</i>	<i>2019 SR'000</i>
REVENUES					
Gross contributions written		66,684	54,485	125,131	118,225
Investible contributions, net		(39,785)	(35,579)	(69,963)	(73,842)
Net Insurance contributions		26,899	18,906	55,168	44,383
Contributions ceded:					
- Local		-	-	-	-
- Foreign		(13,384)	(8,833)	(27,279)	(21,245)
Net written contributions		13,515	10,073	27,889	23,138
Change in unearned contributions, net		717	1,106	(1,001)	(173)
Net contributions earned		14,232	11,179	26,888	22,965
Investment fund fee	10	1,206	1,275	2,436	2,488
TOTAL REVENUES		15,438	12,454	29,324	25,453
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid		(9,428)	(17,697)	(14,816)	(69,246)
Reinsurer's share of claims paid		7,265	11,144	11,153	52,198
Net claims and other benefits paid		(2,163)	(6,553)	(3,663)	(17,048)
Changes in outstanding claims, net		(455)	2,697	(102)	6,652
Changes in claims incurred but not reported, net		(126)	40	(251)	2,366
Net claims and other benefits incurred		(2,744)	(3,816)	(4,016)	(8,030)
Changes in technical reserves, net		(271)	(811)	(1,515)	(882)
Policy acquisition costs		(792)	(643)	(1,504)	(1,227)
Other underwriting expenses		(333)	(273)	(671)	(592)
TOTAL UNDERWRITING COSTS AND EXPENSES		(4,140)	(5,543)	(7,706)	(10,731)
NET UNDERWRITING INCOME		11,298	6,911	21,618	14,722
OTHER OPERATING EXPENSES					
Allowance for doubtful debts		(145)	(27)	(313)	(117)
General and administration expenses		(8,440)	(7,647)	(17,049)	(15,219)
Unrealised gain / (loss) on FVIS investments		1,094	2,605	(75)	6,482
Realised gain on FVIS investments		10	73	28	146
Other income		600	1,411	3,716	1,411
TOTAL OTHER OPERATING EXPENSES		(6,881)	(3,585)	(13,693)	(7,297)
Net income for the period-c/f		4,417	3,326	7,925	7,425

Director

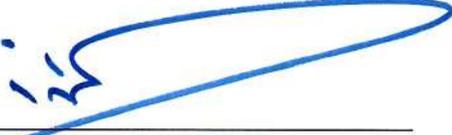
Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 INTERIM CONDENSED STATEMENT OF INCOME (UNAUDITED) (continued)
 For the three-month and six-month periods ended 30 June 2020

	<i>Note</i>	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
		<i>2020 SR'000</i>	<i>2019 SR'000</i>	<i>2020 SR'000</i>	<i>2019 SR'000</i>
Net income for the period-b/f		4,417	3,326	7,925	7,425
Net income attributed to the insurance operations		(517)	(287)	(1,165)	(494)
Net income for the period attributable to the shareholders, before zakat and income tax		3,900	3,039	6,760	6,931
Zakat	11	(1,573)	(1,434)	(3,190)	(3,058)
Income tax	11	-	-	-	(19)
Net income for the period attributable to the shareholders, after zakat and income tax		2,327	1,605	3,570	3,854
Weighted average number of ordinary shares outstanding (in thousands)		16,667	16,667	16,667	16,667
Earnings per share for the period (SR)	14	0.14	0.10	0.21	0.23



 Director



 Chief Financial Officer



 Chief Executive Officer

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
 For the three-month and six-month periods ended 30 June 2020

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
	<i>2020 SR'000</i>	<i>2019 SR'000</i>	<i>2020 SR'000</i>	<i>2019 SR'000</i>
Net income for the period attributable to the shareholders, after zakat and income tax	2,327	1,605	3,570	3,854
Other comprehensive loss:				
<i>Items that will not be reclassified to interim statement of income in subsequent periods:</i>				
Re-measurement loss on end-of-service indemnities	(180)	(111)	(160)	(222)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,147	1,494	3,410	3,632



 Director



 Chief Financial Officer



 Chief Executive Officer

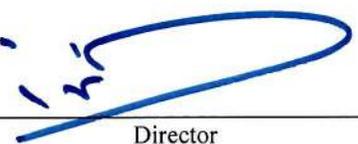
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ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

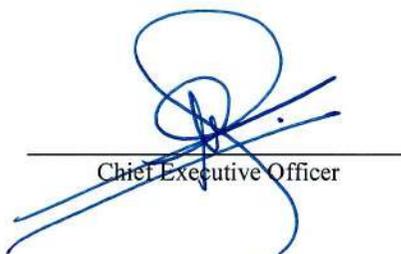
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2020

	<i>Related to shareholders operations</i>				<i>Re-measurement reserve of defined benefit obligation – related to insurance operations</i>	<i>Total</i>
	<i>Share capital SR'000</i>	<i>Statutory reserve SR'000</i>	<i>Retained earnings SR'000</i>	<i>Total shareholders' equity SR'000</i>		
Balance at 1 January 2020	166,667	29,895	45,489	242,051	(288)	241,763
Net income for the period	-	-	3,570	3,570	-	3,570
Other comprehensive loss	-	-	-	-	(160)	(160)
Total comprehensive income	-	-	3,570	3,570	(160)	3,410
Transfer to statutory reserve	-	714	(714)	-	-	-
Balance at 30 June 2020	166,667	30,609	48,345	245,621	(448)	245,173


Director


Chief Financial Officer


Chief Executive Officer

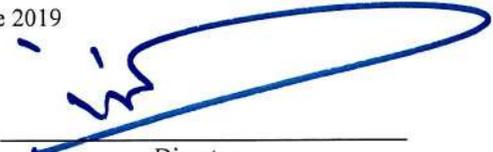
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ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (continued)

For the six-month period ended 30 June 2020

	<i>Related to shareholders operations</i>				<i>Re-measurement reserve of defined benefit obligation – related to insurance operations</i> SR '000	<i>Total</i> SR '000
	<i>Share capital</i> SR '000	<i>Statutory reserve</i> SR '000	<i>Retained earnings</i> SR '000	<i>Total shareholders' equity</i> SR '000		
Balance at 1 January 2019	166,667	28,427	39,619	234,713	24	234,737
Net income for the period	-	-	3,854	3,854	-	3,854
Other comprehensive loss	-	-	-	-	(222)	(222)
Total comprehensive income	-	-	3,854	3,854	(222)	3,632
Transfer to statutory reserve	-	771	(771)	-	-	-
Balance at 30 June 2019	166,667	29,198	42,702	238,567	(198)	238,369


Director


Chief Financial Officer

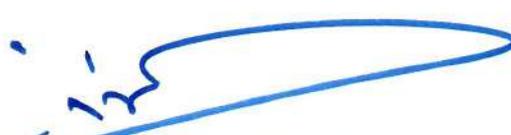

Chief Executive Officer

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six-month period ended 30 June 2020

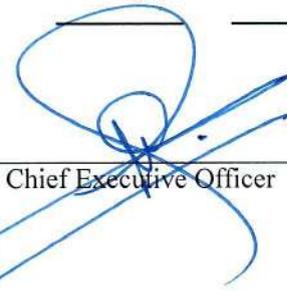
	<i>Six-month period ended</i>	
	<i>30 June</i>	
	<i>2020</i>	<i>2019</i>
	<i>SR'000</i>	<i>SR'000</i>
OPERATING ACTIVITIES		
Net income for the period attributable to the shareholders before zakat and income tax	6,760	6,931
Adjustments for the period:		
Net income attributed to the insurance operations	1,165	494
Depreciation	385	430
Amortization of intangible assets	281	906
Provision for end-of-service indemnities	378	291
Allowance for doubtful debts	313	117
Unrealised loss / (gain) on re-measurement of FVIS investments	75	(6,482)
Income before changes in operating assets and liabilities	<u>9,357</u>	<u>2,687</u>
Changes in operating assets and liabilities:		
Unit-linked investments	13,153	(35,712)
Contributions and reinsurance receivables – net	(5,432)	41,164
Accrued income	(197)	(102)
Prepayments and other assets	(1,490)	(1,597)
Reinsurance share of unearned contributions	(840)	(66)
Unearned contributions	1,841	239
Reinsurance share of outstanding claims	(5,277)	31,186
Technical Reserve for Insurance Operations	(10,017)	35,447
Incurred But Not Reported (IBNR) reserves	251	(2,366)
Outstanding claims	5,379	(37,838)
Reinsurance balances payable	8,909	(8,173)
Due to related parties	(121)	(1,419)
Accrued and other liabilities	(1,941)	(10,314)
Accrued income on statutory deposit	(168)	(251)
Accrued income payable to SAMA	168	251
Cash from operations	<u>13,575</u>	<u>13,136</u>
Zakat and income tax paid	(10,703)	(1,011)
End-of-service indemnities paid	(18)	(209)
Net cash from operating activities	<u>2,854</u>	<u>11,916</u>
INVESTING ACTIVITIES		
Purchase of furniture, fittings and office equipment	(256)	(525)
Additions to intangible assets	(57)	(58)
Purchase of FVIS investments	(25,000)	-
Redemption of FVIS investments	35,000	-
Net cash from / (used in) investing activities	<u>9,687</u>	<u>(583)</u>



 Director



 Chief Financial Officer



 Chief Executive Officer

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED) (continued)
 For the six-month period ended 30 June 2020

	<i>Six-month period ended 30 June</i>	
	<i>2020</i>	<i>2019</i>
	<i>SR'000</i>	<i>SR'000</i>
Net increase in cash and cash equivalents	12,541	11,333
Cash and cash equivalents at the beginning of the period	19,619	18,871
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	32,160	30,204



 Director



 Chief Financial Officer



 Chief Executive Officer

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2020

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

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

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

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

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

AlAhli Takaful Company announced that its Board of Directors has resolved, on Tuesday 18 February 2020, to enter into preliminary discussions with CHUBB Arabia Cooperative Insurance Co to study the possibility of merging the two companies. The entry into these discussions does not mean that a merger will happen between the two companies, but only that the potential for a mutually beneficial arrangement for both companies’ shareholders is being explored.

If a merger discussion is agreed, both companies will sign a non-binding Memorandum of Understanding (the “MOU”) to evaluate a potential merger between the two companies, but it will still be necessary to obtain official regulatory approvals before completing the merger.

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

2 BASIS OF PREPARATION

a) *Basis of preparation*

The interim condensed financial statements of the Company as at and for the period ended 30 June 2020 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants (“SOCPA”) (referred to as “IFRS as endorsed in KSA”).

The interim condensed financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement of investments at their fair value.

The Company’s interim condensed statement of financial position is presented in order of liquidity. Except for property and equipment, statutory deposit, end-of-service indemnities, unearned contribution, accrued income and surplus from insurance operations, outstanding claims, claims incurred but not reported and technical reserves for insurance operations, all other assets and liabilities are of short-term nature, unless, stated otherwise.

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

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

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

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 2020

2 BASIS OF PREPARATION (continued)

b) Critical accounting judgments estimates and assumptions

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

c) Seasonality of operations

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

Amendments to IAS 1 and IAS 8: Definition of Material

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

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

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards and interpretations issued but not yet effective

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

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

IFRS 17 - Insurance Contracts

Overview

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

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

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

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

Measurement

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

IFRS 17 - Insurance Contracts (continued)

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

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

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

Effective date

The IASB issued an Exposure Draft Amendments to IFRS 17 during June 2019 and received comments from various stakeholders. The IASB is currently re-deliberating issues raised by stakeholders. For any proposed amendments to IFRS 17, the IASB will follow its normal due process for standard setting. The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4, is currently 01 January 2021. Under the current exposure draft, it is proposed to amend the IFRS 17 effective date to reporting periods beginning on or after 01 January 2023. This is a deferral of 2 years compared to the previous date of 01 January 2021. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied. The Company intend to apply the standard on its effective date.

Transition

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

Presentation and Disclosures

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

Impact

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

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

IFRS 17 - Insurance Contracts (continued)

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

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

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

IFRS 9 - Financial Instruments

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

Classification and measurement

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

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

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

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

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

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

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

Impairment

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

Hedge accounting

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

Effective date

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

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 June 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

IFRS 9 - Financial Instruments (continued)

Effective date (continued)

The amendments introduce two alternative options:

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

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

Impact assessment

As at 30 June 2020, the Company has total financial assets and insurance related assets amounting to SR 52 million (2019: SR 34 million) and SR 29 million (2019: SR 23 million) respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SR 52 million (2019: SR 34 million). Fair value of unit linked investments held at fair value through statement of income as at 30 June 2020 is SR 659 million (2019: 672 million). Other financial assets consist of FVIS amounting to SR 306 million (2019: SR 317 million). The Company expect to use the FVOCI classification of these financial assets based on the business model of the Company for debt securities and strategic nature of equity investments. However, the Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9. Investment in funds classified under available for sale investments will be at FVIS under IFRS 9.

The Company financial assets have low credit risk as at 30 June 2020 and 31 December 2019. The above is based on high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9: However, the impact of the same is not expected to be significant. At present it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review.

4 CASH AND CASH EQUIVALENTS

	30 June 2020 (Unaudited)		
	Insurance operations SR'000	Shareholders' operations SR'000	Total SR'000
Cash in hand	19	-	19
Cash at bank (see note 4.1)	32,128	13	32,141
Total	32,147	13	32,160

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 June 2020

4 CASH AND CASH EQUIVALENTS (continued)

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

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

5 CONTRIBUTIONS AND REINSURANCE RECEIVABLES – NET

	<i>30 June 2020</i>	<i>31 December 2019</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>SR'000</i>	<i>SR'000</i>
Policyholders – net (refer 'a' below)	2,820	3,995
Related parties - net (see note 10) (refer 'a' below)	16,868	8,562
Receivable from reinsurers – net	-	2,012
Total	19,688	14,569

a) Doubtful debts allowance on contribution receivable from policyholders for the period ended 30 June 2020 is amounted to SR 512 thousand (2019: SR 256 thousand) and on contribution receivable from related parties for the period ended 30 June 2020 is amounted to SR 57 thousand (2019: SR nil).

6 UNEARNED CONTRIBUTIONS

	<i>30 June 2020 (Unaudited)</i>		
	<i>Gross</i>	<i>Reinsurance</i>	<i>Net</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Balance at the beginning of the period	3,449	(2,107)	1,342
Contributions written / (ceded) during the period	125,131	(27,279)	97,852
Contributions (earned) / paid or adjusted during the period	(123,290)	26,439	(96,851)
Balance at the end of the period	5,290	(2,947)	2,343

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

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 June 2020

7 UNIT-LINKED INVESTMENTS

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

	<i>30 June</i>	<i>31 December</i>
	<u>2020</u>	<u>2019</u>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>SR'000</i>	<i>SR'000</i>
<i>Investment held to cover unit-linked liabilities:</i>		
AlAhli Multi-Asset Conservative Fund	347,914	352,737
AlAhli Multi-Asset Moderate Fund	172,058	178,642
AlAhli Multi-Asset Growth Fund	138,549	140,295
	658,521	671,674
	658,521	671,674

The movement in unit-linked investments during the six-month period ended 30 June 2020 and year ended 31 December 2019 is as follows:

	<i>30 June</i>	<i>31 December</i>
	<u>2020</u>	<u>2019</u>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>SR'000</i>	<i>SR'000</i>
Balance at the beginning of the period / year	671,674	647,075
Redemptions during the period / year	(5,000)	(59,000)
Unrealised gain / (loss) during the period / year (note 9.1(b))	(8,153)	83,599
	658,521	671,674
	658,521	671,674

8 INVESTMENTS

	<i>30 June</i>	<i>31 December</i>
	<u>2020</u>	<u>2019</u>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>SR'000</i>	<i>SR'000</i>
<i>Fair value investment through income statement (FVIS)</i>		
Insurance operations (note 8.1)	61,540	71,050
Shareholders' operations (note 8.2)	244,913	245,478
	306,453	316,528
	306,453	316,528

8.1 Insurance Operations – FVIS Investments

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

	<i>30 June</i>	<i>31 December</i>
	<u>2020</u>	<u>2019</u>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>SR'000</i>	<i>SR'000</i>
AlAhli Diversified Saudi Riyal Trade Fund	61,540	71,050
	61,540	71,050

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 June 2020

8 INVESTMENTS (continued)

8.1 Insurance Operations – FVIS Investments (continued)

The movement in the FVIS investments during the six-month period ended 30 June 2020 and year ended 31 December 2019 is as follows:

	<u>30 June</u> <u>2020</u> <i>(Unaudited)</i> SR'000	<u>31 December</u> <u>2019</u> <i>(Audited)</i> SR'000
Insurance Operations		
Balance at the beginning of the period / year	71,050	47,805
Purchases	25,000	15,000
Redemption	(35,000)	-
Transferred from FVIS Shareholders' Operations (see below 8.2)	-	6,889
Unrealised gain	490	1,356
Balance at the end of the period / year	61,540	71,050

8.2 Shareholders' Operations – FVIS Investments

	<u>30 June</u> <u>2020</u> <i>(Unaudited)</i> SR'000	<u>31 December</u> <u>2019</u> <i>(Audited)</i> SR'000
AlAhli Takaful Discretionary Portfolio	230,099	230,820
Investment in a real estate fund	7,112	7,025
AlAhli Diversified Saudi Riyal Trade Fund	7,702	7,633
	244,913	245,478

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

The movement in the FVIS investments during the six-month period ended 30 June 2020 and year ended 31 December 2019 is as follows:

	<u>30 June</u> <u>2020</u> <i>(Unaudited)</i> SR'000	<u>31 December</u> <u>2019</u> <i>(Audited)</i> SR'000
Shareholders' Operations		
Balance at the beginning of the period / year	245,478	238,808
Purchases	-	2,200
Transferred to FVIS Insurance Operations (see above 8.1)	-	(6,889)
Unrealised (loss) / gain	(565)	11,359
Balance at the end of the period / year	244,913	245,478

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 June 2020

9 TECHNICAL RESERVES

9.1 Technical Reserve for Insurance Operations

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

	<i>30 June</i>	<i>31 December</i>
	<i><u>2020</u></i>	<i><u>2019</u></i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>SR'000</i>	<i>SR'000</i>
Technical reserve relating to the Participant Investment Strategies (unit-linked liability)	671,742	683,274
Allowance for the retained risk	2,787	1,272
	<u>674,529</u>	<u>684,546</u>

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

	<i>30 June</i>	<i>31 December</i>
	<i><u>2020</u></i>	<i><u>2019</u></i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>SR'000</i>	<i>SR'000</i>
Balance at the beginning of the period / year	684,546	654,225
Change in allowance for the retained risk	1,515	(2,110)
Unrealised (loss) / gain on unit-linked investments (note 7)	(8,153)	83,599
Investible contributions	69,963	149,627
Surrenders and maturities	(73,342)	(200,795)
Balance at the end of the period / year	<u>674,529</u>	<u>684,546</u>

9.2 Incurred But Not Reported (IBNR) Reserves

- a) A reserve for Incurred But Not Reported (IBNR) Insurance Operations is created, as per the report received from the Actuary, as detailed below:

	<i>30 June</i>	<i>31 December</i>
	<i><u>2020</u></i>	<i><u>2019</u></i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>SR'000</i>	<i>SR'000</i>
Incurred But Not Reported (IBNR) reserves	5,304	5,053

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

	<i>30 June</i>	<i>31 December</i>
	<i><u>2020</u></i>	<i><u>2019</u></i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>SR'000</i>	<i>SR'000</i>
Balance as at the beginning of the period / year	5,053	7,197
Change in Incurred But Not Reported (IBNR) reserve	251	(2,144)
Balance as at the end of the period / year	<u>5,304</u>	<u>5,053</u>

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 June 2020

10 RELATED PARTY TRANSACTIONS AND BALANCES

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

Following are the details of major related party transactions during the period ended 30 June 2020 and 30 June 2019:

<i><u>Name</u></i>	<i><u>Relationship</u></i>	<i><u>Nature of transactions</u></i>	<i><u>Amount of transactions</u></i>	
			<i><u>For six-month period ended</u></i>	
			<i><u>30 June</u></i>	<i><u>30 June</u></i>
			<i><u>2020</u></i>	<i><u>2019</u></i>
			<i><u>(Unaudited)</u></i>	<i><u>(Unaudited)</u></i>
			<i><u>SR'000</u></i>	<i><u>SR'000</u></i>
National Commercial Bank	Shareholder	Gross group insurance contributions	36,201	28,010
		Gross claims paid	12,151	63,441
FWU	Former shareholder	Administration fee	-	828
NCB Capital	Subsidiary of a shareholder	Investment fund fee	2,436	2,488
AlAhli Insurance Marketing Services Company Limited	Subsidiary of a shareholder	Agency commission and others	-	-
Key management personnel		Short-term benefits	1,931	1,831
		End of service benefits	150	99

a) Receivable from / (payable to) related parties

	<i><u>30 June</u></i>	<i><u>31 December</u></i>
	<i><u>2020</u></i>	<i><u>2019</u></i>
	<i><u>(Unaudited)</u></i>	<i><u>(Audited)</u></i>
	<i><u>SR'000</u></i>	<i><u>SR'000</u></i>
Receivable from National Commercial Bank - (note 5)	16,868	8,562
Accrued investment fund fee receivable from subsidiary of a Shareholder	899	702
Payable to FWU	-	(121)
Payable to AlAhli Insurance Marketing Services Company Limited	(358)	(358)
	(358)	(479)
Outstanding claims payable to National Commercial Bank - gross	(40,466)	(37,975)

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 June 2020

10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Board of directors' remuneration and related expenses

	<i>Amount of transactions</i>	
	<i>For six-month period ended</i>	
	<i>30 June</i>	<i>30 June</i>
	<i>2020</i>	<i>2019</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SR'000</i>	<i>SR'000</i>
Board and other committees remuneration	974	1,259
Board and other committees attendance fees	272	340
Board accommodation and travel	23	39

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

	<i>30 June</i>	<i>31 December</i>
	<i>2020</i>	<i>2019</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>SR'000</i>	<i>SR'000</i>
Remuneration and other expenses payable to Board and other committees	1,414	1,140

11 ZAKAT AND INCOME TAX

The Zakat and income tax payable by the Company has been calculated based on the best estimates of the management.

The movement in Zakat and income tax payable for the six-month period ended 30 June 2020 and year ended 31 December 2019 is as follows:

	<i>Zakat</i>	<i>Tax</i>	<i>30 June</i>	<i>31 December</i>
	<i>2020</i>	<i>2020</i>	<i>2020</i>	<i>2019</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Balance at the beginning of the period / year	29,202	52	29,254	23,860
Charge for the period / year	3,190	-	3,190	6,408
Zakat and income tax paid	(10,703)	-	(10,703)	(1,014)
Balance at the end of the period / year	21,689	52	21,741	29,254

Status of assessments

Zakat and income tax returns have been submitted to the General Authority of Zakat and Tax (GAZT) for the period ended 31 December 2007 and for the years ended 31 December 2008 through 2019.

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 2020

11 ZAKAT AND INCOME TAX (continued)

Status of assessments (continued)

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

The GAZT has issued initial assessments for the years 2013 through 2014, demanding additional Zakat and tax liability including a delay fine of SR 2,585 thousand and SR 5,474 thousand, respectively. The Company has settled an amount of SR 2,326 thousand related to year 2014 and filed an objection with GAZT against the remaining amounts and the management is confident of a favourable outcome. In line of the Dispute Resolution committee treatment of WHT for the years 2010 to 2012, the GAZT agreed to apply the new WHT approach for the years 2013 through 2017. The Company settled SR 10.8 million for the years 2013 through 2017 and finalized its WHT status for the said years.

On June 2, 2020, the GAZT has issued an assessment in relation to VAT for the years 2018 and 2019 based on the examination carried out by GAZT related to said assessment, where GAZT imposed VAT on the fees of Takaful life insurance policies provided by the company to its customers for the years 2018 and 2019, in addition to late payment fines totalling SR 4,550 thousand. Accordingly, the company decided to object to this assessment and by consulting with the Company appointed tax advisor. The management believes that it has a high opportunity to win the objection to the said assessment, either with GAZT or with the objection committees.

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

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

The company submitted the Zakat and Tax return for the year ended 31 December 2019 and obtained the necessary Zakat and tax certificate, which are still under review by the GAZT.

12 OPERATING SEGMENT INFORMATION

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

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

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

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 June 2020

12 OPERATING SEGMENT INFORMATION (continued)

	<i>As at 30 June 2020 (Unaudited)</i>				
	<i>Insurance - individual SR'000</i>	<i>Insurance- group SR'000</i>	<i>Total - Insurance operations SR'000</i>	<i>Shareholders' operations SR'000</i>	<i>Total SR'000</i>
ASSETS					
Cash and cash equivalents	21,689	10,458	32,147	13	32,160
Contributions and reinsurance receivables – net	-	19,688	19,688	-	19,688
Reinsurance share of unearned contributions	-	2,947	2,947	-	2,947
Reinsurance share of outstanding claims	1,288	25,077	26,365	-	26,365
Unit-linked investments	658,521	-	658,521	-	658,521
Investments	23,870	37,670	61,540	244,913	306,453
Accrued income	899	-	899	-	899
	<u>706,267</u>	<u>95,840</u>	<u>802,107</u>	<u>244,926</u>	<u>1,047,033</u>
Unallocated amounts:					
- Prepayments and other assets			2,870	4,681	7,551
- Furniture, fittings and office equipment			2,564	-	2,564
- Intangible assets			638	-	638
- Statutory deposit			-	16,667	16,667
- Accrued income on statutory deposit			-	2,115	2,115
TOTAL ASSETS			<u><u>808,179</u></u>	<u><u>268,389</u></u>	<u><u>1,076,568</u></u>
LIABILITIES					
Accrued and other liabilities	3,850	8,677	12,527	2,643	15,170
Reinsurance balances payable	2,021	29,115	31,136	-	31,136
Unearned contributions	-	5,290	5,290	-	5,290
Outstanding claims	1,956	46,594	48,550	-	48,550
Technical reserve for Insurance Operations	673,342	1,187	674,529	-	674,529
Incurred But Not Reported (IBNR) reserves	541	4,763	5,304	-	5,304
Due to related parties	358	-	358	-	358
	<u>682,068</u>	<u>95,626</u>	<u>777,694</u>	<u>2,643</u>	<u>780,337</u>
Unallocated amounts:					
- Accrued and other liabilities			2,865	-	2,865
- End-of-service indemnities			2,980	-	2,980
- Surplus from Insurance Operations			21,349	-	21,349
- Zakat and income tax			-	21,741	21,741
- Dividends payable			-	8	8
- Accrued income payable to SAMA			-	2,115	2,115
TOTAL LIABILITIES			<u><u>804,888</u></u>	<u><u>26,507</u></u>	<u><u>831,395</u></u>
EQUITY					
Share capital			-	166,667	166,667
Statutory reserves			-	30,609	30,609
Retained earnings			-	48,345	48,345
Remeasurement reserve of defined benefit obligation			(448)	-	(448)
TOTAL EQUITY			<u><u>(448)</u></u>	<u><u>245,621</u></u>	<u><u>245,173</u></u>
TOTAL LIABILITIES AND EQUITY			<u><u>804,440</u></u>	<u><u>272,128</u></u>	<u><u>1,076,568</u></u>

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 June 2020

12 OPERATING SEGMENT INFORMATION (continued)

As at 31 December 2019 (Audited)

	<i>Insurance - individual SR'000</i>	<i>Insurance-group SR'000</i>	<i>Total - Insurance operations SR'000</i>	<i>Shareholders' operations SR'000</i>	<i>Total SR'000</i>
ASSETS					
Cash and cash equivalents	17,086	2,520	19,606	13	19,619
Contributions and reinsurance receivables – net	-	14,569	14,569	-	14,569
Reinsurance share of unearned contributions	-	2,107	2,107	-	2,107
Reinsurance share of outstanding claims	1,370	19,718	21,088	-	21,088
Unit-linked investments	671,674	-	671,674	-	671,674
Investments	36,258	34,792	71,050	245,478	316,528
Accrued income	702	-	702	-	702
	<u>727,090</u>	<u>73,706</u>	<u>800,796</u>	<u>245,491</u>	<u>1,046,287</u>
Unallocated amounts:					
- Prepayments and other assets			1,471	4,590	6,061
- Furniture, fittings and office equipment			2,703	-	2,703
- Intangible assets			852	-	852
- Statutory deposit			-	16,667	16,667
- Accrued income on statutory deposit			-	1,947	1,947
TOTAL ASSETS			<u>805,822</u>	<u>268,695</u>	<u>1,074,517</u>
LIABILITIES					
Accrued and other liabilities	5,940	7,382	13,322	2,860	16,182
Reinsurance balances payable	5,043	17,184	22,227	-	22,227
Unearned contributions	-	3,449	3,449	-	3,449
Technical Reserve for Insurance					
Operations	684,251	295	684,546	-	684,546
Outstanding claims	2,105	41,066	43,171	-	43,171
Incurred But Not Reported (IBNR) reserves	725	4,328	5,053	-	5,053
Due to related parties	479	-	479	-	479
	<u>698,543</u>	<u>73,704</u>	<u>772,247</u>	<u>2,860</u>	<u>775,107</u>
Unallocated amounts:					
- Accrued and other liabilities			3,794	-	3,794
- End-of-service indemnities			2,460	-	2,460
- Surplus from Insurance					
Operations			20,184	-	20,184
- Zakat and income tax			-	29,254	29,254
- Dividends payable			-	8	8
- Accrued income payable to SAMA			-	1,947	1,947
TOTAL LIABILITIES			<u>798,685</u>	<u>34,069</u>	<u>832,754</u>
EQUITY					
Share capital			-	166,667	166,667
Statutory reserves			-	29,895	29,895
Retained earnings			-	45,489	45,489
Remeasurement reserve of defined benefit obligation			(288)	-	(288)
TOTAL EQUITY			<u>(288)</u>	<u>242,051</u>	<u>241,763</u>
TOTAL LIABILITIES AND EQUITY					
			<u>798,397</u>	<u>276,120</u>	<u>1,074,517</u>

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 June 2020

12 OPERATING SEGMENT INFORMATION (continued)

	<i>Three-month period ended 30 June 2020</i> <i>(Unaudited)</i>		
	<i>Insurance - individual SR'000</i>	<i>Insurance- group SR'000</i>	<i>Total SR'000</i>
REVENUE			
Gross contributions written:			
- Individual	46,899	-	46,899
- Micro enterprises	-	-	-
- Small enterprises	-	31	31
- Medium enterprises	-	126	126
- Large enterprises	-	19,628	19,628
Total gross contributions written	46,899	19,785	66,684
Investible contributions, net	(39,785)	-	(39,785)
Net Insurance contributions	7,114	19,785	26,899
Reinsurance contributions ceded:			
- Local	-	-	-
- Foreign	(531)	(12,853)	(13,384)
Net contributions written	6,583	6,932	13,515
Change in unearned contributions – net	-	717	717
Net contributions earned	6,583	7,649	14,232
Investment fund fee	1,206	-	1,206
TOTAL REVENUES	7,789	7,649	15,438
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(432)	(8,996)	(9,428)
Reinsurer's share of claims paid	282	6,983	7,265
Net claims and other benefits paid	(150)	(2,013)	(2,163)
Changes in outstanding claims – net	36	(491)	(455)
Changes in claims incurred but not reported, net	69	(195)	(126)
Net claims and other benefits incurred	(45)	(2,699)	(2,744)
Changes in technical reserves, net	28	(299)	(271)
Policy acquisition costs	(517)	(275)	(792)
Other underwriting expenses	(234)	(99)	(333)
TOTAL UNDERWRITING COSTS AND EXPENSES, NET	(768)	(3,372)	(4,140)
NET UNDERWRITING INCOME	7,021	4,277	11,298
OTHER OPERATING INCOME / (EXPENSES)			
Unallocated amounts:			
- Allowance for doubtful debts			(145)
- General and administration expenses			(8,440)
- Unrealised gain on FVIS investments			1,094
- Realised gain on FVIS investments			10
- Other income			600
TOTAL OTHER OPERATING EXPENSES			(6,881)
Net income for the period			4,417
Net income attributed to the insurance operations			(517)
Net income for the period attributable to the shareholders, before zakat and income tax			3,900
Zakat			(1,573)
Income tax			-
Net income for the period attributable to the shareholders, after zakat and income tax			2,327

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 June 2020

12 OPERATING SEGMENT INFORMATION (continued)

	<i>Three-month period ended 30 June 2019</i> <i>(Unaudited)</i>		
	<i>Insurance - individual SR '000</i>	<i>Insurance- group SR '000</i>	<i>Total SR '000</i>
REVENUE			
Gross contributions written:			
- Individual	42,504	-	42,504
- Micro enterprises	-	-	-
- Small enterprises	-	13	13
- Medium enterprises	-	9	9
- Large enterprises	-	11,959	11,959
Total gross contributions written	42,504	11,981	54,485
Investible contributions, net	(35,579)	-	(35,579)
Net Insurance contributions	6,925	11,981	18,906
Reinsurance contributions ceded:			
- Local	-	-	-
- Foreign	(1,934)	(6,899)	(8,833)
Net contributions written	4,991	5,082	10,073
Change in unearned contributions – net	-	1,106	1,106
Net contributions earned	4,991	6,188	11,179
Investment fund fee	1,275	-	1,275
TOTAL REVENUES	6,266	6,188	12,454
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(278)	(17,419)	(17,697)
Reinsurer's share of claims paid	143	11,001	11,144
Net claims and other benefits paid	(135)	(6,418)	(6,553)
Changes in outstanding claims – net	(72)	2,769	2,697
Changes in claims incurred but not reported, net	(98)	138	40
Net claims and other benefits incurred	(305)	(3,511)	(3,816)
Changes in technical reserves, net	134	(945)	(811)
Policy acquisition costs	(522)	(121)	(643)
Other underwriting expenses	(213)	(60)	(273)
TOTAL UNDERWRITING COSTS AND EXPENSES, NET	(906)	(4,637)	(5,543)
NET UNDERWRITING INCOME	5,360	1,551	6,911
OTHER OPERATING INCOME / (EXPENSES)			
Unallocated amounts:			
- Allowance for doubtful debts			(27)
- General and administration expenses			(7,647)
- Unrealised gain on FVIS investments			2,605
- Realised gain on FVIS investments			73
- Other income			1,411
TOTAL OTHER OPERATING EXPENSES			(3,585)
Net income for the period			3,326
Net income attributed to the insurance operations			(287)
Net income for the period attributable to the shareholders, before zakat and income tax			3,039
Zakat			(1,434)
Income tax			-
Net income for the period attributable to the shareholders, after zakat and income tax			1,605

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 June 2020

12 OPERATING SEGMENT INFORMATION (continued)

Six-month period ended 30 June 2020 (Unaudited)

	<i>Insurance - individual SR'000</i>	<i>Insurance- group SR'000</i>	<i>Total SR'000</i>
REVENUE			
Gross contributions written:			
- Individual	83,685	-	83,685
- Micro enterprises	-	-	-
- Small enterprises	-	47	47
- Medium enterprises	-	842	842
- Large enterprises	-	40,557	40,557
Total gross contributions written	83,685	41,446	125,131
Investible contributions, net	(69,963)	-	(69,963)
Net Insurance contributions	13,722	41,446	55,168
Reinsurance contributions ceded:			
- Local	-	-	-
- Foreign	(1,105)	(26,174)	(27,279)
Net contributions written	12,617	15,272	27,889
Change in unearned contributions – net	-	(1,001)	(1,001)
Net contributions earned	12,617	14,271	26,888
Investment fund fee	2,436	-	2,436
TOTAL REVENUES	15,053	14,271	29,324
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(605)	(14,211)	(14,816)
Reinsurer's share of claims paid	388	10,765	11,153
Net claims and other benefits paid	(217)	(3,446)	(3,663)
Changes in outstanding claims – net	67	(169)	(102)
Changes in claims incurred but not reported, net	184	(435)	(251)
Net claims and other benefits incurred	34	(4,050)	(4,016)
Changes in technical reserves, net	(623)	(892)	(1,515)
Policy acquisition costs	(1,009)	(495)	(1,504)
Other underwriting expenses	(464)	(207)	(671)
TOTAL UNDERWRITING COSTS AND EXPENSES, NET	(2,062)	(5,644)	(7,706)
NET UNDERWRITING INCOME	12,991	8,627	21,618
OTHER OPERATING INCOME / (EXPENSES)			
Unallocated amounts:			
- Allowance for doubtful debts			(313)
- General and administration expenses			(17,049)
- Unrealised loss on FVIS investments			(75)
- Realised gain on FVIS investments			28
- Other income			3,716
TOTAL OTHER OPERATING EXPENSES			(13,693)
Net income for the period			7,925
Net income attributed to the insurance operations			(1,165)
Net income for the period attributable to the shareholders, before zakat and income tax			6,760
Zakat			(3,190)
Income tax			-
Net income for the period attributable to the shareholders, after zakat and income tax			3,570

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 June 2020

12 OPERATING SEGMENT INFORMATION (continued)

Six-month period ended 30 June 2019 (Unaudited)

	<i>Insurance - individual SR'000</i>	<i>Insurance- group SR'000</i>	<i>Total SR'000</i>
REVENUE			
Gross contributions written:			
- Individual	87,664	-	87,664
- Micro enterprises	-	-	-
- Small enterprises	-	19	19
- Medium enterprises	-	200	200
- Large enterprises	-	30,342	30,342
Total gross contributions written	87,664	30,561	118,225
Investible contributions, net	(73,842)	-	(73,842)
Net Insurance contributions	13,822	30,561	44,383
Reinsurance contributions ceded:			
- Local	-	-	-
- Foreign	(2,542)	(18,703)	(21,245)
Net contributions written	11,280	11,858	23,138
Change in unearned contributions – net	-	(173)	(173)
Net contributions earned	11,280	11,685	22,965
Investment fund fee	2,488	-	2,488
TOTAL REVENUES	13,768	11,685	25,453
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(581)	(68,665)	(69,246)
Reinsurer's share of claims paid	318	51,880	52,198
Net claims and other benefits paid	(263)	(16,785)	(17,048)
Changes in outstanding claims – net	(366)	7,018	6,652
Changes in claims incurred but not reported, net	15	2,351	2,366
Net claims and other benefits incurred	(614)	(7,416)	(8,030)
Changes in technical reserves, net	263	(1,145)	(882)
Policy acquisition costs	(1,000)	(227)	(1,227)
Other underwriting expenses	(439)	(153)	(592)
TOTAL UNDERWRITING COSTS AND EXPENSES, NET	(1,790)	(8,941)	(10,731)
NET UNDERWRITING INCOME	11,978	2,744	14,722
OTHER OPERATING INCOME / (EXPENSES)			
Unallocated amounts:			
- Allowance for doubtful debts			(117)
- General and administration expenses			(15,219)
- Unrealised gain on FVIS investments			6,482
- Realised gain on FVIS investments			146
- Other income			1,411
TOTAL OTHER OPERATING EXPENSES			(7,297)
Net income for the period			7,425
Net income attributed to the insurance operations			(494)
Net income for the period attributable to the shareholders, before zakat and income tax			6,931
Zakat			(3,058)
Income tax			(19)
Net income for the period attributable to the shareholders, after zakat and income tax			3,854

At 30 June 2020

13 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

The Company's financial assets consist of cash in hand and at banks, unit-linked investments, Fair Value through Income Statement investments (FVIS), contributions and reinsurance receivables, other receivables and its financial liabilities consist of outstanding claims, reinsurance balances payable, amount due to related parties, and other payables. The fair values of financial instruments are not materially different from their carrying values. As at 30 June 2020, apart from the investments which are carried at fair value (notes 7 and 8), there were no other financial instruments held by the Company that were measured at fair value.

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

Level 1: quoted prices in active markets for the same instrument (i.e. without modification or repackaging);

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

As at 30 June 2020 and 31 December 2019, all financial instruments which are fair valued are Level 1 instruments except for investment in real estate fund and AlAhli Takaful discretionary portfolio which were Level 2 instruments. The Company determines Level 2 fair values for unit-linked and FVIS investments based on the net assets value of the respective funds as at the end of the reporting period. There were no transfers between Level 1, Level 2 and Level 3 during the period.

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

14 EARNINGS PER SHARE

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

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 June 2020

15 SUPPLEMENTARY INFORMATION

a) INTERIM STATEMENT OF FINANCIAL POSITION

	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>30 June 2020 (Unaudited)</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>31 December 2019 (Audited)</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
ASSETS						
Cash and cash equivalents	32,147	13	32,160	19,606	13	19,619
Contributions and reinsurance receivables – net	19,688	-	19,688	14,569	-	14,569
Reinsurance share of unearned contributions	2,947	-	2,947	2,107	-	2,107
Reinsurance share of outstanding claims	26,365	-	26,365	21,088	-	21,088
Unit-linked investments	658,521	-	658,521	671,674	-	671,674
Due from insurance Operations	-	3,739	3,739	-	7,425	7,425
Investments	61,540	244,913	306,453	71,050	245,478	316,528
Accrued income	899	-	899	702	-	702
Prepayments and other assets	2,870	4,681	7,551	1,471	4,590	6,061
Furniture, fittings and office equipment	2,564	-	2,564	2,703	-	2,703
Intangible assets	638	-	638	852	-	852
Statutory deposit	-	16,667	16,667	-	16,667	16,667
Accrued income on statutory deposit	-	2,115	2,115	-	1,947	1,947
	<u>808,179</u>	<u>272,128</u>	<u>1,080,307</u>	<u>805,822</u>	<u>276,120</u>	<u>1,081,942</u>
Less:- Inter-operations eliminations	-	(3,739)	(3,739)	-	(7,425)	(7,425)
TOTAL ASSETS	<u><u>808,179</u></u>	<u><u>268,389</u></u>	<u><u>1,076,568</u></u>	<u><u>805,822</u></u>	<u><u>268,695</u></u>	<u><u>1,074,517</u></u>

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 June 2020

15 SUPPLEMENTARY INFORMATION (continued)

a) INTERIM STATEMENT OF FINANCIAL POSITION (continued)

	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>30 June 2020 (Unaudited)</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>31 December 2019 (Audited)</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
LIABILITIES						
Accrued and other liabilities	15,392	2,643	18,035	17,116	2,860	19,976
Reinsurance balances payable	31,136	-	31,136	22,227	-	22,227
Unearned contributions	5,290	-	5,290	3,449	-	3,449
Technical Reserve for Insurance Operations	674,529	-	674,529	684,546	-	684,546
Outstanding claims Incurred But Not Reported (IBNR) reserves	48,550	-	48,550	43,171	-	43,171
Due to related parties	5,304	-	5,304	5,053	-	5,053
Due to Shareholders' Operations	358	-	358	479	-	479
End-of-service indemnities	3,739	-	3,739	7,425	-	7,425
Surplus from Insurance Operations	2,980	-	2,980	2,460	-	2,460
Zakat and income tax	21,349	-	21,349	20,184	-	20,184
Dividends payable	-	21,741	21,741	-	29,254	29,254
Accrued income payable to SAMA	-	8	8	-	8	8
	-	2,115	2,115	-	1,947	1,947
	<u>808,627</u>	<u>26,507</u>	<u>835,134</u>	<u>806,110</u>	<u>34,069</u>	<u>840,179</u>
Less:- Inter-operations eliminations	(3,739)	-	(3,739)	(7,425)	-	(7,425)
TOTAL LIABILITIES	<u>804,888</u>	<u>26,507</u>	<u>831,395</u>	<u>798,685</u>	<u>34,069</u>	<u>832,754</u>
EQUITY						
Share capital	-	166,667	166,667	-	166,667	166,667
Statutory reserve	-	30,609	30,609	-	29,895	29,895
Retained earnings	-	48,345	48,345	-	45,489	45,489
Re-measurement reserve of defined benefit obligation	(448)	-	(448)	(288)	-	(288)
TOTAL EQUITY	<u>(448)</u>	<u>245,621</u>	<u>245,173</u>	<u>(288)</u>	<u>242,051</u>	<u>241,763</u>
TOTAL LIABILITIES AND EQUITY	<u>804,440</u>	<u>272,128</u>	<u>1,076,568</u>	<u>798,397</u>	<u>276,120</u>	<u>1,074,517</u>

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 June 2020

15 SUPPLEMENTARY INFORMATION (continued)

b) INTERIM STATEMENT OF INCOME

	<i>Three-month period ended 30 June (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2020</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2019</i>
	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
<u>REVENUES</u>						
Gross contributions written	66,684	-	66,684	54,485	-	54,485
Investible contributions, net	(39,785)	-	(39,785)	(35,579)	-	(35,579)
Net Insurance contributions	26,899	-	26,899	18,906	-	18,906
Reinsurance contributions ceded:						
- Local	-	-	-	-	-	-
- Foreign	(13,384)	-	(13,384)	(8,833)	-	(8,833)
Net contributions written	13,515	-	13,515	10,073	-	10,073
Change in unearned contributions - net	717	-	717	1,106	-	1,106
Net contributions earned	14,232	-	14,232	11,179	-	11,179
Investment fund fee	1,206	-	1,206	1,275	-	1,275
TOTAL REVENUES	15,438	-	15,438	12,454	-	12,454
<u>UNDERWRITING COSTS AND - EXPENSES</u>						
Gross claims paid	(9,428)	-	(9,428)	(17,697)	-	(17,697)
Reinsurers' share of claims paid	7,265	-	7,265	11,144	-	11,144
Net claims and other benefits paid	(2,163)	-	(2,163)	(6,553)	-	(6,553)
Changes in outstanding claims – net	(455)	-	(455)	2,697	-	2,697
Changes in claims incurred but not reported, net	(126)	-	(126)	40	-	40
Net claims and other benefits incurred	(2,744)	-	(2,744)	(3,816)	-	(3,816)
Changes in technical reserves, net	(271)	-	(271)	(811)	-	(811)
Policy acquisition costs	(792)	-	(792)	(643)	-	(643)
Other underwriting expenses	(333)	-	(333)	(273)	-	(273)
TOTAL UNDERWRITING COSTS AND EXPENSES	(4,140)	-	(4,140)	(5,543)	-	(5,543)
NET UNDERWRITING INCOME	11,298	-	11,298	6,911	-	6,911

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 June 2020

15 SUPPLEMENTARY INFORMATION (continued)

b) INTERIM STATEMENT OF INCOME (continued)

	<i>Three-month period ended 30 June (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2020</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2019</i>
	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
<u>OTHER OPERATING (EXPENSES) / INCOME</u>						
Allowance for doubtful debts	(145)	-	(145)	(27)	-	(27)
General and administration expenses	(6,786)	(1,654)	(8,440)	(5,850)	(1,797)	(7,647)
Unrealised gain on FVIS investments	196	898	1,094	366	2,239	2,605
Realised gain on FVIS investments	-	10	10	63	10	73
Other income	600	-	600	1,411	-	1,411
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>TOTAL OTHER OPERATING (EXPENSES) / INCOME</u>	(6,135)	(746)	(6,881)	(4,037)	452	(3,585)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>NET SURPLUS / (DEFICIT) FROM OPERATIONS</u>	5,163	(746)	4,417	2,874	452	3,326
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Surplus transferred to Shareholders	(4,646)	4,646	-	(2,587)	2,587	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>NET INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX</u>	517	3,900	4,417	287	3,039	3,326
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Zakat	-	(1,573)	(1,573)	-	(1,434)	(1,434)
Income tax	-	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>NET INCOME FOR THE PERIOD</u>	517	2,327	2,844	287	1,605	1,892
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Weighted averages number of ordinary shares outstanding (in thousands)	-	16,667	-	-	16,667	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Earnings per share for the period (SR)	-	0.14	-	-	0.10	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 June 2020

15 SUPPLEMENTARY INFORMATION (continued)

b) INTERIM STATEMENT OF INCOME (continued)

	<i>Six-month period ended 30 June (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2020</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2019</i>
	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>
<u>REVENUES</u>						
Gross contributions written	125,131	-	125,131	118,225	-	118,225
Investible contributions, net	(69,963)	-	(69,963)	(73,842)	-	(73,842)
Net Insurance contributions	55,168	-	55,168	44,383	-	44,383
Reinsurance contributions ceded:						
- Local	-	-	-	-	-	-
- Foreign	(27,279)	-	(27,279)	(21,245)	-	(21,245)
Net contributions written	27,889	-	27,889	23,138	-	23,138
Change in unearned contributions - net	(1,001)	-	(1,001)	(173)	-	(173)
Net contributions earned	26,888	-	26,888	22,965	-	22,965
Investment fund fee	2,436	-	2,436	2,488	-	2,488
TOTAL REVENUES	29,324	-	29,324	25,453	-	25,453
<u>UNDERWRITING COSTS AND - EXPENSES</u>						
Gross claims paid	(14,816)	-	(14,816)	(69,246)	-	(69,246)
Reinsurers' share of claims paid	11,153	-	11,153	52,198	-	52,198
Net claims and other benefits paid	(3,663)	-	(3,663)	(17,048)	-	(17,048)
Changes in outstanding claims – net	(102)	-	(102)	6,652	-	6,652
Changes in claims incurred but not reported, net	(251)	-	(251)	2,366	-	2,366
Net claims and other benefits incurred	(4,016)	-	(4,016)	(8,030)	-	(8,030)
Changes in technical reserves, net	(1,515)	-	(1,515)	(882)	-	(882)
Policy acquisition costs	(1,504)	-	(1,504)	(1,227)	-	(1,227)
Other underwriting expenses	(671)	-	(671)	(592)	-	(592)
TOTAL UNDERWRITING COSTS AND EXPENSES, NET	(7,706)	-	(7,706)	(10,731)	-	(10,731)
NET UNDERWRITING INCOME	21,618	-	21,618	14,722	-	14,722

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 June 2020

15 SUPPLEMENTARY INFORMATION (continued)

b) INTERIM STATEMENT OF INCOME (continued)

Six-month period ended 30 June (Unaudited)

	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2020</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2019</i>
	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>						
Allowance for doubtful debts	(313)	-	(313)	(117)	-	(117)
General and administration expenses	(13,874)	(3,175)	(17,049)	(11,885)	(3,334)	(15,219)
Unrealised gain / (loss) on FVIS investment	490	(565)	(75)	690	5,792	6,482
Realised gain on FVIS investments	11	17	28	121	25	146
Other income	3,716	-	3,716	1,411	-	1,411
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</u>	(9,970)	(3,723)	(13,693)	(9,780)	2,483	(7,297)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>NET SURPLUS / (DEFICIT) FROM OPERATIONS</u>	11,648	(3,723)	7,925	4,942	2,483	7,425
Surplus transferred to Shareholders	(10,483)	10,483	-	(4,448)	4,448	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>NET INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX</u>	1,165	6,760	7,925	494	6,931	7,425
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Zakat	-	(3,190)	(3,190)	-	(3,058)	(3,058)
Income tax	-	-	-	-	(19)	(19)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>NET INCOME FOR THE PERIOD</u>	1,165	3,570	4,735	494	3,854	4,348
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Weighted averages number of ordinary shares outstanding (in thousands)	-	16,667	-	-	16,667	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Earnings per share for the period (SR)	-	0.21	-	-	0.23	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 June 2020

15 SUPPLEMENTARY INFORMATION (continued)

c) INTERIM STATEMENT OF COMPREHENSIVE INCOME

	<i>Three-month period ended 30 June (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2020</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2019</i>
	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>
<u>NET INCOME FOR THE PERIOD</u>	517	2,327	2,844	287	1,605	1,892
Other comprehensive loss: <i>Items that will not be reclassified to interim statement of income in subsequent periods:</i>						
Re-measurement loss on end-of-service indemnities	(180)	-	(180)	(111)	-	(111)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>337</u>	<u>2,327</u>	<u>2,664</u>	<u>176</u>	<u>1,605</u>	<u>1,781</u>
Reconciliation: Less: Net income attributable to insurance operations			(517)			(287)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			<u>2,147</u>			<u>1,494</u>

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 June 2020

15 SUPPLEMENTARY INFORMATION (continued)

c) INTERIM STATEMENT OF COMPREHENSIVE INCOME (continued)

	<i>Six-month period ended 30 June (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2020</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2019</i>
	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>	<u><i>SR'000</i></u>
<u>NET INCOME FOR THE PERIOD</u>	1,165	3,570	4,735	494	3,854	4,348
Other comprehensive loss:						
<i>Items that will not be reclassified to interim statement of income in subsequent periods:</i>						
Re-measurement loss on end-of- service indemnities	<u>(160)</u>	<u>-</u>	<u>(160)</u>	<u>(222)</u>	<u>-</u>	<u>(222)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>1,005</u>	<u>3,570</u>	<u>4,575</u>	<u>272</u>	<u>3,854</u>	<u>4,126</u>
Reconciliation:						
Less: Net income attributable to insurance operations			<u>(1,165)</u>			<u>(494)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			<u>3,410</u>			<u>3,632</u>

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 June 2020

15 SUPPLEMENTARY INFORMATION (continued)

d) INTERIM STATEMENT OF CASH FLOWS

	<i>Six-month period ended 30 June (Unaudited)</i>					
	<i>Insurance operations SR'000</i>	<i>Shareholders' operations SR'000</i>	<i>2020 SR'000</i>	<i>Insurance operations SR'000</i>	<i>Shareholders' operations SR'000</i>	<i>2019 SR'000</i>
OPERATING ACTIVITIES						
Net income for the period, before zakat and income tax	1,165	6,760	7,925	494	6,931	7,425
Adjustments for the period:		-				
Depreciation	385	-	385	430	-	430
Amortization of intangible assets	281	-	281	906	-	906
Provision for end-of-service indemnities, net	378	-	378	291	-	291
Allowance for doubtful debts	313	-	313	117	-	117
Unrealised (gains)/losses on re-measurement of FVIS investments	(490)	565	75	(690)	(5,792)	(6,482)
Income before changes in operating assets and liabilities	2,032	7,325	9,357	1,548	1,139	2,687
Changes in operating assets and liabilities:						
Unit-linked investments	13,153	-	13,153	(35,712)	-	(35,712)
Contributions and reinsurance receivables – net	(5,432)	-	(5,432)	41,164	-	41,164
Accrued income	(197)	-	(197)	(102)	-	(102)
Prepayments and other assets	(1,399)	(91)	(1,490)	(1,594)	(3)	(1,597)
Reinsurance share of unearned contributions	(840)	-	(840)	(66)	-	(66)
Unearned contributions	1,841	-	1,841	239	-	239
Reinsurance share of outstanding claims	(5,277)	-	(5,277)	31,186	-	31,186
Technical Reserve for Insurance Operations	(10,017)	-	(10,017)	35,447	-	35,447
Incurred But Not Reported (IBNR) reserves	251	-	251	(2,366)	-	(2,366)
Outstanding claims	5,379	-	5,379	(37,838)	-	(37,838)
Reinsurance balances payable	8,909	-	8,909	(8,173)	-	(8,173)
Due to shareholders' Operations	(3,686)	-	(3,686)	(1,228)	-	(1,228)
Due from Insurance Operations	-	3,686	3,686	-	1,228	1,228
Due to related parties	(121)	-	(121)	(1,419)	-	(1,419)
Accrued and other liabilities	(1,724)	(217)	(1,941)	(8,962)	(1,352)	(10,314)
Accrued income on statutory deposit	-	(168)	(168)	-	(251)	(251)
Accrued income payable to SAMA	-	168	168	-	251	251
Cash from operations	2,872	10,703	13,575	12,124	1,012	13,136
Zakat and income tax paid	-	(10,703)	(10,703)	-	(1,011)	(1,011)
End-of-service indemnities paid	(18)	-	(18)	(209)	-	(209)
Net cash from operating activities	2,854	-	2,854	11,915	1	11,916

ALAHLI TAKAFUL COMPANY – A SAUDI JOINT STOCK COMPANY
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 June 2020

15 SUPPLEMENTARY INFORMATION (continued)

d) INTERIM STATEMENT OF CASH FLOWS (continued)

	<i>Six-month period ended 30 June (Unaudited)</i>					
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2020</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>2019</i>
	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
INVESTING ACTIVITIES						
Purchase of furniture, fittings and office equipment	(256)	-	(256)	(525)	-	(525)
Addition to intangible assets	(57)	-	(57)	(58)	-	(58)
Purchase of FVIS investments	(25,000)	-	(25,000)	-	-	-
Redemption of FVIS investments	35,000	-	35,000	-	-	-
Net cash from / (used in) investing activities	<u>9,687</u>	<u>-</u>	<u>9,687</u>	<u>(583)</u>	<u>-</u>	<u>(583)</u>
Net increase in cash and cash equivalents	12,541	-	12,541	11,332	1	11,333
Cash and cash equivalents at the beginning of the period	<u>19,606</u>	<u>13</u>	<u>19,619</u>	<u>16,454</u>	<u>2,417</u>	<u>18,871</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>32,147</u>	<u>13</u>	<u>32,160</u>	<u>27,786</u>	<u>2,418</u>	<u>30,204</u>

16 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors on 8 August 2020, corresponding to 18 Dhual-Hijja 1441H.