

**AL KHALEEJ TAKAFUL INSURANCE COMPANY Q.P.S.C.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**AL KHALEEJ TAKAFUL INSURANCE COMPANY Q.P.S.C.**

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of Al Khaleej Takaful Insurance Company (Q.P.S.C.)

### **Report on the Audit of the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Al Khaleej Takaful Insurance Company Q.P.S.C. (the 'Company') and its subsidiaries (together referred to as the 'Group') which comprise the consolidated statement of financial position as at 31 December 2018 and the related consolidated statements of policyholders' revenue and expenses, policy holders' surplus, shareholders' income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Respective responsibilities of Board of Directors and Auditors*

These consolidated financial statements and the Group's undertaking to operate in accordance with Islamic Shari'a rules and principles are the responsibility of the board of directors of the Group. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

#### *Basis of opinion*

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by the Accounting and Auditing Organization for Islamic Financial Institutions. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

#### *Opinion*

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and the result of its operations, changes in equity and cash flows for the year then ended in accordance with the Shari'a rules and principles as determined by the Shari'a Supervisory Board of the Group and the accounting standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.

**INDEPENDENT AUDITOR'S REPORT (Continued)**

Al Khaleej Takaful Insurance Company Q.P.S.C.

**Report on other regulatory requirements**

We have obtained all the information and explanations we considered necessary for the purposes of our audit. The Company has maintained proper accounting records and its financial statements are in agreement therewith. We have read the report of the Board of Directors to be included in the Annual Report, and the financial information contained therein is in agreement with the books and records of the Company. We are not aware of any violations of the Qatar Central Bank ('QCB' regulations or Qatar Commercial Companies Law No. 11 of 2015 or the terms of the Company's bylaws and any amendments thereto having occurred during the year which might have had a material effect on the Company's financial position or performance as at and for the year ended 31 December 2018.

*Other matter*

The consolidated financial statements as at and for the year ended 31 December 2017 were audited, by another auditor, whose audit report dated 12 March 2018, expressed a modified audit opinion with regard to the impairment losses on the investments at fair value through equity, which the Group's management did not recognise in the consolidated statement of shareholders' income for the year ended 31 December 2017.

25 March 2019  
Doha  
State of Qatar

Yacoub Hobeika  
KPMG  
Auditors' Registry No. 289  
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Auditors License No. 120153

AL KHALEEJ TAKAFUL INSURANCE COMPANY Q.P.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
As At 31 December 2018

In Qatari Riyals

	Notes	2018	2017 <i>Restated</i>
<b>Policyholders' assets</b>			
Cash and cash equivalents	5	14,386,771	25,802,938
Time deposits	5	20,300,000	-
Investments at fair value through equity	6	23,591,439	19,289,219
Takaful balances receivable	7	44,849,033	47,056,304
Retakaful balances receivable	9	23,438,092	20,815,099
Retakaful share of unearned contributions	10	59,256,215	59,695,530
Retakaful share of gross outstanding claims	10	134,012,677	78,241,712
Deferred commission		6,492,046	8,119,527
Other receivables and prepayments	11	28,909,322	29,922,801
Investment properties	12	32,290,698	33,261,198
Fixed assets	13	-	673,200
<b>Total policyholders' assets</b>		<b>387,526,293</b>	<b>322,877,528</b>
<b>Shareholders' assets</b>			
Cash and cash equivalents	5	19,245,486	12,212,025
Time deposits	5	5,100,000	100,000
Investments at fair value through equity	6	122,547,125	240,017,222
Assets held for sale	8	21,454,007	21,454,007
Insurance balances receivable	7	6,182	253,264
Reinsurers balances receivable	9	206,211	384,821
Reinsurers share of gross outstanding claims	10	541,067	1,613,823
Other receivables and prepayments	11	165,716,693	33,536,008
Investment properties	12	202,334,038	222,770,682
Fixed assets	13	13,245,086	13,283,796
Properties under development	14	412,958	45,821,069
Investment in associate	15	6,509,253	10,509,253
<b>Total shareholders' assets</b>		<b>557,318,106</b>	<b>601,955,970</b>
<b>Total assets</b>		<b>944,844,399</b>	<b>924,833,498</b>

The Consolidated Statement of Financial Position continues on next page.

The notes from pages 10 to 44 form an integral part of the consolidated financial statements.

AL KHALEEJ TAKAFUL INSURANCE COMPANY Q.P.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)  
As At 31 December 2018

In Qatari Riyals

	Notes	2018	2017 <i>Restated</i>
<b>Policyholders' equity</b>			
Retained surplus		15,172,993	10,568,495
Fair value reserve	23	2,849,375	(1,889,000)
<b>Total policyholders' equity</b>		<b>18,022,368</b>	<b>8,679,495</b>
<b>Policyholders' liabilities</b>			
Unearned contributions	10	108,184,598	112,463,193
Gross outstanding claims	10	156,010,216	97,889,681
Claims incurred but not reported reserve	10	11,606,204	3,730,697
Deferred commission income		9,424,626	8,873,982
Accounts payable and other liabilities	17	32,480,632	30,163,698
Retakaful and takaful balances payable		45,867,274	48,576,782
Distributable surplus	18	5,930,375	12,500,000
<b>Total policyholders' liabilities</b>		<b>369,503,925</b>	<b>314,198,033</b>
<b>Total policyholders' equity and liabilities</b>		<b>387,526,293</b>	<b>322,877,528</b>
<b>Shareholders' liabilities</b>			
Gross outstanding claims	10	338,321	1,411,152
Islamic bank facilities	16	-	73,761,268
Accounts payable and other liabilities	17	29,643,939	20,964,840
Reinsurers and insurance balances payable		2,126,598	2,104,545
Employees' end of service benefits	19	4,266,198	4,799,268
<b>Total shareholders' liabilities</b>		<b>36,375,056</b>	<b>103,041,073</b>
<b>Shareholders' equity</b>			
Share capital	20	255,279,024	255,279,024
Legal reserve	21	235,050,025	232,951,190
General reserve	22	75,477	75,477
Fair value reserve	23	(2,731,611)	(4,990,933)
Retained earnings		33,270,135	15,600,139
<b>Total shareholders' equity</b>		<b>520,943,050</b>	<b>498,914,897</b>
<b>Total shareholders' liabilities and equity</b>		<b>557,318,106</b>	<b>601,955,970</b>
<b>Total policyholders' and shareholders' liabilities and equity</b>		<b>944,844,399</b>	<b>924,833,498</b>

These consolidated financial statements were approved by the Company's Board of Directors on 25 March 2019 and signed on their behalf by:

\_\_\_\_\_  
**Mr. Ali Reda Al Banai**  
Chief Executive Officer

\_\_\_\_\_  
**Mr. Abdulla Ali Al Ansari**  
Board Member

The notes from pages 10 to 44 form an integral part of the consolidated financial statements.

AL KHALEEJ TAKAFUL INSURANCE COMPANY Q.P.S.C.

CONSOLIDATED STATEMENT OF POLICYHOLDERS' REVENUES AND EXPENSES  
For The Year Ended 31 December 2018

In Qatari Riyals

	Notes	2018	2017
<b>Takaful revenues</b>			
Gross contributions	29	267,679,767	283,963,223
Retakaful share of gross contribution	29	(159,761,438)	(183,130,998)
Net retained contributions		107,918,329	100,832,225
Changes in unearned contributions	29	2,847,087	(2,226,896)
Earned contributions		110,765,416	98,605,329
Retakaful commission and other takaful income	29	20,227,782	24,325,187
Change in deferred commission	29	(2,178,126)	(997,559)
<b>Total takaful revenue</b>		<b>128,815,072</b>	<b>121,932,957</b>
<b>Takaful expenses</b>			
Gross claims paid	29	(119,029,665)	(125,986,376)
Retakaful share of claims paid	29	62,848,638	71,415,317
Net claims paid		(56,181,027)	(54,571,059)
Changes in outstanding claims	29	(2,349,569)	2,954,594
Changes in claims incurred but not reported reserves	29	(7,875,507)	386,301
Commission and other takaful expenses	29	(22,140,093)	(21,195,789)
<b>Total takaful expenses</b>		<b>(88,546,196)</b>	<b>(72,425,953)</b>
<b>Net surplus from takaful operations</b>		<b>40,268,876</b>	<b>49,507,004</b>
Investment income of takaful policyholders		670,477	137,028
Income from deposits		488,675	201,056
Dividend income		1,215,075	948,721
Rental income		2,448,000	2,448,000
Other income		490	844,621
<b>Total Surplus</b>		<b>45,091,593</b>	<b>54,086,430</b>
<b>Other Expenses</b>			
Wakala fees	34	(34,336,385)	(34,461,645)
Mudarib Expenses	34	(3,375,860)	(3,204,675)
Depreciation		(1,643,700)	(1,317,854)
Impairment loss on investment at fair value through equity		(1,650,934)	-
Other expenses		(2,280,209)	(619,483)
<b>Total other expenses</b>		<b>(43,287,088)</b>	<b>(39,603,657)</b>
<b>Surplus of revenues over expenses</b>		<b>1,804,505</b>	<b>14,482,773</b>

The notes from pages 10 to 44 form an integral part of the consolidated financial statements.

**AL KHALEEJ TAKAFUL INSURANCE COMPANY Q.P.S.C.**

**CONSOLIDATED STATEMENT OF POLICYHOLDERS' SURPLUS  
For The Year Ended 31 December 2018**

In Qatari Riyals

	<b>2018</b>	2017
Retained surplus balance at beginning of the year	10,568,495	8,562,036
Surplus for the year	1,804,505	14,482,773
Transfer from distributable surplus	<u>2,799,993</u>	<u>23,686</u>
Total surplus at end of the year	15,172,993	23,068,495
Distribution to policyholders during the year (Note 18)	<u>-</u>	<u>(12,500,000)</u>
<b>Retained surplus balance at end of the year</b>	<b><u>15,172,993</u></b>	<b><u>10,568,495</u></b>

The notes from pages 10 to 44 form an integral part of the consolidated financial statements.



AL KHALEEJ TAKAFUL INSURANCE COMPANY Q.P.S.C.

**CONSOLIDATED INCOME STATEMENT**  
For The Year Ended 31 December 2018

In Qatari Riyals

	Notes	2018	2017
<b>Shareholders' revenues and expenses</b>			
Claims paid		-	(81,314)
Re-insurance share of claims paid		-	3,714
Net claims paid		-	(77,600)
Changes in outstanding claims		75	-
<b>Total insurance income / (expenses)</b>		<b>75</b>	<b>(77,600)</b>
<b>Surplus / (deficit) from insurance operations</b>		<b>75</b>	<b>(77,600)</b>
<b>Investments and other income</b>			
Wakala fee	34	34,336,385	34,461,645
Mudarib fee	34	3,375,860	3,204,675
Net realized gains on sale of investments at fair value through equity		41,007,341	28,679,343
Dividend income		9,044,205	12,680,145
Share of Results from associate	15	-	3,639,253
Rental income		29,918,527	12,982,759
Income from deposits		101,705	14,294
Gain on disposal of investment property		11,682,034	200,000
Gain on disposal of fixed assets		17,027	30,395
Other income		274,485	362,910
<b>Total investment and other income</b>		<b>129,757,569</b>	<b>96,255,419</b>
<b>Expenses</b>			
General and administrative expenses	24	(34,280,198)	(29,398,382)
Finance cost		(3,754,268)	(4,220,264)
Rental expenses		(27,124,574)	(22,987,188)
Depreciation		(10,192,565)	(6,490,810)
Impairment loss on investment at fair value through equity		(33,872,102)	(32,886,974)
<b>Total expenses</b>		<b>(109,223,707)</b>	<b>(95,983,618)</b>
<b>Net Income before board of directors' remuneration</b>		<b>20,533,937</b>	194,201
Board of directors' remuneration		(258,213)	-
<b>Net Income after board of directors' remuneration</b>		<b>20,275,724</b>	194,201
<b>Basic and diluted earnings per share (QR Per share)</b>	31	<b>0.79</b>	0.01

The notes from pages 10 to 44 form an integral part of the consolidated financial statements.

AL KHALEEF TAKAFUL INSURANCE COMPANY Q.P.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
For The Year Ended 31 December 2018

In Qatari Riyals

	Share capital	Legal reserve	General reserve	Proposed cash dividends	Fair value reserve (restated)	Retained earnings (restated)	Total
Balance at 1 January 2017 – as previously reported	255,279,024	232,931,770	75,477	15,316,741	31,326,979	4,786,403	539,716,394
Impact of correction of errors (note 36)	-	-	-	-	(3,516,533)	10,643,810	7,127,277
Balance at 1 January 2017 (restated)	255,279,024	232,931,770	75,477	15,316,741	27,810,446	15,430,213	546,843,671
Net income for the year	-	-	-	-	-	194,201	194,201
Movement in fair value reserve	-	-	-	-	(32,801,379)	-	(32,801,379)
Transfer to legal reserve	-	19,420	-	-	-	(19,420)	-
Social and sports fund appropriation	-	-	-	-	-	(4,855)	(4,855)
Dividends paid	-	-	-	(15,316,741)	-	-	(15,316,741)
Balance as at 31 December 2017 / 1 January 2018 (restated)	255,279,024	232,951,190	75,477	-	(4,990,933)	15,600,139	498,914,897
Net income for the year	-	-	-	-	-	20,275,724	20,275,724
Movement in fair value reserve	-	-	-	-	2,259,322	-	2,259,322
Transfer to legal reserve	-	2,098,835	-	-	-	(2,098,835)	-
Social and sports fund appropriation	-	-	-	-	-	(506,893)	(506,893)
<b>Balance as at 31 December 2018</b>	<b>255,279,024</b>	<b>235,050,025</b>	<b>75,477</b>	<b>-</b>	<b>(2,731,611)</b>	<b>33,270,135</b>	<b>520,943,050</b>

The notes from pages 10 to 44 form an integral part of the consolidated financial statements.

AL KHALEEJ TAKAFUL INSURANCE COMPANY Q.P.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS  
For The Year Ended 31 December 2018

In Qatari Riyals

	Notes	2018	2017
<b>Cash flows from operating activities</b>			
Net income for the year		20,275,724	194,201
Policyholders' surplus for the year		1,804,505	14,482,773
		<u>22,080,229</u>	<u>14,676,974</u>
<i>Adjustments for :</i>			
Depreciation of fixed assets and investment properties		11,836,265	7,808,664
Share of results from associate	15	-	(3,639,253)
Income from deposits		(590,380)	(215,350)
Dividend income		(10,259,280)	(13,628,866)
Gain on sale of fixed assets		(17,027)	(30,395)
Gain on disposal of Investment property		(11,682,034)	(200,000)
Provision for employees' end of service benefits		720,952	617,327
Impairment loss on investment at fair value through equity		35,523,036	32,886,974
Rental (Income) / expense		(5,241,953)	7,556,429
<b>Operating profit before working capital changes</b>		<b>42,369,808</b>	<b>45,832,504</b>
<i>Changes in:</i>			
Takaful balances receivable		2,454,353	4,295,403
Retakaful balances receivable		(2,444,383)	24,595,229
Retakaful share of unearned contributions		439,315	7,166,072
Retakaful share of outstanding claims		(54,698,209)	11,449,137
Deferred commission		1,627,481	(515,486)
Other receivable and prepayments		(131,167,206)	25,521,751
Unearned contributions		(4,278,595)	(6,089,723)
Gross outstanding claims		57,047,704	(14,403,743)
Claims incurred but not reported reserve		7,875,507	(386,301)
Deferred commission income		550,644	2,063,689
Accounts payable and other liabilities		10,489,140	(68,937,760)
Retakaful balances payable		(2,687,455)	(5,112,908)
<b>Cash (used in) / from operating activities</b>		<b>(72,421,896)</b>	<b>25,477,864</b>
Employees' end of service benefits		(1,254,022)	(2,652,394)
<b>Net cash (used in) / from operating activities</b>		<b>(73,675,918)</b>	<b>22,825,470</b>
<b>Cash flows from investing activities</b>			
Net movement in investments at fair value through equity	6	85,642,538	(7,126,315)
Purchase of investment property	12	-	(10,629,105)
Net movement in property under development		43,086,823	1,088,166
Income from deposits received		590,380	215,350
Dividends received from associate		3,000,000	-
Dividends income received		10,259,280	13,628,866
Proceeds from sale of Investment properties		24,400,810	5,700,000
Proceeds from disposal of fixed assets		17,027	32,500
Purchase of fixed assets		(114,699)	(2,634,108)
Net movement in term deposits		(25,300,000)	-
Rental income received		5,241,953	(7,556,429)
<b>Net cash from / (used in) investing activities</b>		<b>146,824,112</b>	<b>(7,281,075)</b>
<b>Cash flows from financing activities</b>			
Net movement in Islamic bank facilities	16	(73,761,268)	(17,026,768)
Dividends paid to shareholders		-	(15,316,741)
Surplus distributed to policyholders		(3,769,632)	23,686
<b>Net cash used in financing activities</b>		<b>(77,530,900)</b>	<b>(32,319,823)</b>
<b>Net decrease in cash and cash equivalents</b>			
		<b>(4,382,706)</b>	<b>(16,775,428)</b>
Cash and cash equivalents at 1 January		38,014,963	54,790,391
<b>Cash and cash equivalents at 31 December</b>	5	<b>33,632,257</b>	<b>38,014,963</b>

The notes from pages 10 to 44 form an integral part of the consolidated financial statements.