

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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

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

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

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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 2019 and the related consolidated statements of policyholders' revenue and expenses, policyholders' 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 Organisation 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 Board of directors, 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 2019, 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.

Emphasis of matter

We draw attention to Note 11 to the consolidated financial statements which states that the other receivables include receivable from previous related party amounting to QAR 114,000,000 (2018: QAR 144,000,000). As at 31 December 2019, the Group's management is certain about the recoverability of this balance. Accordingly, no provision has been made against the balance. Our opinion is not modified in respect of this matter.



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 applicable provisions of the Qatar Central Bank Law No. 13 of 2012, 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 2019.

3 March 2020
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 2019

In Qatari Riyals

| | Notes | 2019 | 2018 |
|--|-------|----------------------|--------------------|
| Policyholders' assets | | | |
| Cash and cash equivalents | 5 | 26,233,136 | 14,386,771 |
| Time deposits | 5 | 3,650,000 | 20,300,000 |
| Investments at fair value through equity | 6 (a) | 21,899,077 | 19,501,483 |
| Investment at fair value through income statement | 6 (b) | 2,806,128 | 4,089,956 |
| Takaful balances receivable | 7 | 67,626,234 | 44,849,033 |
| Retakaful balances receivable | 9 | 35,391,729 | 23,438,092 |
| Retakaful share of unearned contributions | 10 | 54,644,739 | 59,256,215 |
| Retakaful share of gross outstanding claims | 10 | 155,441,577 | 134,012,677 |
| Retakaful share of claim incurred but not reported | 10 | 32,411,649 | 29,855,596 |
| Deferred commission | | 8,564,955 | 6,492,046 |
| Other receivables and prepayments | 11 | 15,791,198 | 28,909,322 |
| Investment property | 12 | 31,317,787 | 32,290,698 |
| Total policyholders' assets | | 455,778,209 | 417,381,889 |
| Shareholders' assets | | | |
| Cash and cash equivalents | 5 | 34,095,143 | 19,245,486 |
| Time deposits | 5 | 3,750,000 | 5,100,000 |
| Investments at fair value through equity | 6 (a) | 157,535,039 | 119,452,481 |
| Investment at fair value through income statement | 6 (b) | 3,650,000 | - |
| Assets held for sale | 8 | 21,454,007 | 21,454,007 |
| Insurance balances receivable | 7 | 6,882 | 6,182 |
| Reinsurers balances receivable | 9 | 199,137 | 206,211 |
| Reinsurers share of gross outstanding claims | 10 | 541,067 | 541,067 |
| Other receivables and prepayments | 11 | 134,004,423 | 168,811,337 |
| Investment properties | 12 | 198,684,450 | 202,334,038 |
| Fixed Assets | 13 | 9,934,289 | 13,245,086 |
| Properties under development | 14 | 256,820 | 412,958 |
| Investment in associate | 15 | 6,509,253 | 6,509,253 |
| Total shareholders' assets | | 570,620,510 | 557,318,106 |
| Total assets | | 1,026,398,719 | 974,699,995 |

The Consolidated Statement of Financial Position continues on next page.

The notes from pages 10 to 51 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 2019

In Qatari Riyals

| | Notes | 2019 | 2018 |
|--|-------|----------------------|--------------------|
| Policyholders' equity | | | |
| Retained surplus | | 16,713,452 | 15,172,993 |
| Fair value reserve | 22 | 5,948,182 | 2,849,375 |
| Total policyholders' equity | | 22,661,634 | 18,022,368 |
| Policyholders' liabilities | | | |
| Unearned contributions | 10 | 109,059,293 | 108,184,598 |
| Gross outstanding claims | 10 | 185,710,379 | 156,010,216 |
| Claims incurred but not reported reserve | 10 | 45,811,235 | 41,461,800 |
| Deferred commission income | | 7,777,539 | 9,424,626 |
| Accounts payable and other liabilities | 16 | 17,995,203 | 32,480,632 |
| Retakaful and takaful balances payable | | 60,941,143 | 45,867,274 |
| Distributable surplus | 17 | 5,821,783 | 5,930,375 |
| Total policyholders' liabilities | | 433,116,575 | 399,359,521 |
| Total policyholders' equity and liabilities | | 455,778,209 | 417,381,889 |
| Shareholders' liabilities | | | |
| Gross outstanding claims | 10 | 747,289 | 338,321 |
| Accounts payable and other liabilities | 16 | 26,071,401 | 29,643,939 |
| Reinsurers and insurance balances payable | | 1,433,427 | 2,126,598 |
| Provision for income tax | 24 | 12,246 | - |
| Employees' end of service benefits | 18 | 4,822,943 | 4,266,198 |
| Total shareholders' liabilities | | 33,087,306 | 36,375,056 |
| Shareholders' equity | | | |
| Share capital | 19 | 255,279,024 | 255,279,024 |
| Legal reserve | 20 | 237,935,418 | 235,050,025 |
| General reserve | 21 | 75,477 | 75,477 |
| Fair value reserve | 22 | (1,493,772) | (2,731,611) |
| Retained earnings | | 45,737,057 | 33,270,135 |
| Total shareholders' equity | | 537,533,204 | 520,943,050 |
| Total shareholders' liabilities and equity | | 570,620,510 | 557,318,106 |
| Total policyholders' and shareholders' liabilities and equity | | 1,026,398,719 | 974,699,995 |

These consolidated financial statements were approved by the Company's Board of Directors on 3 March 2020 and signed on their behalf by:


Sheikh Abdullah Bin Ahmed Abdullah Al Thani
Chairman


Mr. Abdulla Ali Al-Assiri
Chief Executive Officer

The notes from pages 10 to 51 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 2019

In Qatari Riyals

| | Notes | 2019 | 2018 |
|--|-------|---------------------|---------------------|
| Takaful revenues | | | |
| Gross contributions | 29 | 296,467,246 | 267,679,767 |
| Retakaful share of gross contribution | 29 | (172,722,588) | (159,761,438) |
| Net retained contributions | | 123,744,658 | 107,918,329 |
| Changes in unearned contributions | 29 | (6,322,848) | 2,847,087 |
| Earned contributions | | 117,421,810 | 110,765,416 |
| Retakaful commission and other takaful income | 29 | 21,484,058 | 20,227,782 |
| Change in deferred commission | 29 | 3,719,996 | (2,178,126) |
| Total takaful revenue | | 142,625,864 | 128,815,072 |
| Takaful expenses | | | |
| Gross claims paid | 29 | (131,753,837) | (119,029,665) |
| Retakaful share of claims paid | 29 | 73,428,294 | 62,848,638 |
| Net claims paid | | (58,325,543) | (56,181,027) |
| Changes in outstanding claims | 29 | (8,271,263) | (2,349,569) |
| Changes in claims incurred but not reported reserves | 29 | (1,793,382) | (7,875,507) |
| Commission and other takaful expenses | 29 | (23,876,548) | (22,140,093) |
| Total takaful expenses | | (92,266,736) | (88,546,196) |
| Net surplus from takaful operations | | 50,359,128 | 40,268,876 |
| Investment income of takaful policyholders | | - | 670,477 |
| Income from deposits | | 984,713 | 488,675 |
| Dividend income | | 1,490,589 | 1,215,075 |
| Net realized loss on sale of investments | | (300,770) | - |
| Rental income | | 1,994,303 | 2,448,000 |
| Other income | | - | 490 |
| Total Surplus | | 54,527,963 | 45,091,593 |
| Other Expenses | | | |
| Wakala fees | 33 | (44,592,771) | (34,336,385) |
| Mudarib Expenses | 33 | (2,918,184) | (3,375,860) |
| Depreciation | | (972,911) | (1,643,700) |
| Impairment loss on investment at fair value through equity | | - | (1,650,934) |
| Other expenses | | (4,503,638) | (2,280,209) |
| Total other expenses | | (52,987,504) | (43,287,088) |
| Surplus of revenues over expenses | | 1,540,459 | 1,804,505 |

The notes from pages 10 to 51 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 2019

In Qatari Riyals

| | 2019 | 2018 |
|---|--------------------------|--------------------------|
| Retained surplus balance at the beginning of the year | 15,172,993 | 10,568,495 |
| Surplus for the year | 1,540,459 | 1,804,505 |
| Transfer from distributable surplus | - | 2,799,993 |
| Retained surplus balance at end of the year | <u>16,713,452</u> | <u>15,172,993</u> |

The notes from pages 10 to 51 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 2019

In Qatari Riyals

| | Notes | 2019 | 2018 |
|--|-------|---------------------|----------------------|
| Shareholders' revenues and expenses | | | |
| Claims paid | | - | - |
| Re-insurance share of claims paid | | - | - |
| Net claims paid | | - | - |
| Changes in outstanding claims | | (408,968) | 75 |
| Total insurance (expenses) / income | | (408,968) | 75 |
| (Deficit) / surplus from insurance operations | | (408,968) | 75 |
| Investments and other income | | | |
| Wakala fee | 33 | 44,592,771 | 34,336,385 |
| Mudarib fee | 33 | 2,918,184 | 3,375,860 |
| Net realized gains on sale of investments at fair value through equity | | 6,636,649 | 41,007,341 |
| Dividend income | | 3,851,709 | 9,044,205 |
| Rental income | | 18,302,836 | 29,918,527 |
| Income from deposits | | 736,198 | 101,705 |
| Gain on disposal of investment property | | - | 11,682,034 |
| (Loss) / Gain on disposal of fixed assets | | (1,165,489) | 17,027 |
| Other income | | 450,377 | 274,485 |
| Total investment and other income | | 76,323,235 | 129,757,569 |
| Expenses | | | |
| General and administrative expenses | 23 | (30,534,679) | (34,280,198) |
| Finance cost | | - | (3,754,268) |
| Rental expenses | | (5,074,840) | (27,124,574) |
| Depreciation | | (5,886,408) | (10,192,565) |
| Impairment loss on investment at fair value through equity | | (4,899,447) | (33,872,102) |
| Board of directors' remuneration | 25 | (652,718) | (258,213) |
| Total expenses | | (47,048,092) | (109,481,920) |
| Net Income before income tax | | 28,866,175 | 20,275,724 |
| Income Tax | 24 | (12,246) | - |
| Net Income after income tax | | 28,853,929 | 20,275,724 |
| Basic and diluted earnings per share (QR Per share) | 31 | 0.11 | 0.08 |

The notes from pages 10 to 51 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 2019

In Qatari Riyals

| | Share capital | Legal reserve | General reserve | Fair value reserve | Retained earnings | Total |
|---|--------------------|--------------------|-----------------|--------------------|-------------------|--------------------|
| Balance at 1 January 2018 | 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) |
| Balance as at 31 December 2018 / 1 January 2019 | 255,279,024 | 235,050,025 | 75,477 | (2,731,611) | 33,270,135 | 520,943,050 |
| Net income for the year | - | - | - | - | 28,853,929 | 28,853,929 |
| Movement in fair value reserve | - | - | - | 1,237,839 | - | 1,237,839 |
| Transfer to legal reserve | - | 2,885,393 | - | - | (2,885,393) | - |
| Social and sports fund appropriation | - | - | - | - | (737,666) | (737,666) |
| Dividends (Note 36) | - | - | - | - | (12,763,948) | (12,763,948) |
| Balance as at 31 December 2019 | 255,279,024 | 237,935,418 | 75,477 | (1,493,772) | 45,737,057 | 537,533,204 |

The notes from pages 10 to 51 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 2019

In Qatari Riyals

| | Notes | 2019 | 2018 |
|---|-------|---------------------|---------------------|
| Cash flows from operating activities | | | |
| Net income before tax for the year | | 28,866,175 | 20,275,724 |
| Policyholders' surplus for the year | | 1,540,459 | 1,804,505 |
| | | <u>30,406,634</u> | <u>22,080,229</u> |
| <i>Adjustments for :</i> | | | |
| Depreciation of fixed assets and investment properties | | 6,859,319 | 11,836,265 |
| Income from deposits | | (1,720,911) | (590,380) |
| Dividend income | | (5,342,298) | (10,259,280) |
| Loss / (Gain) on disposal of fixed assets | | 1,165,489 | (17,027) |
| Gain on disposal of Investment property | | - | (11,682,034) |
| Provision for employees' end of service benefits | | 695,706 | 720,952 |
| Impairment loss on investment at fair value through equity | | 4,899,447 | 35,523,036 |
| Rental Income | | (15,222,299) | (5,241,953) |
| Operating profit before working capital changes | | 21,741,087 | 42,369,808 |
| <i>Changes in:</i> | | | |
| Takaful balances receivable | | (22,777,901) | 2,454,353 |
| Retakaful balances receivable | | (11,946,563) | (2,444,383) |
| Retakaful share of unearned contributions | | 4,611,476 | 439,315 |
| Retakaful share of outstanding claims | | (21,428,900) | (54,698,209) |
| Deferred commission | | (2,072,909) | 1,627,481 |
| Other receivable and prepayments | | 47,925,038 | (131,167,206) |
| Unearned contributions | | 874,695 | (4,278,595) |
| Gross outstanding claims | | 30,109,131 | 57,047,704 |
| Claims incurred but not reported reserve | | 1,793,382 | 7,875,507 |
| Deferred commission income | | (1,647,087) | 550,644 |
| Accounts payable and other liabilities | | (18,795,633) | 10,489,140 |
| Retakaful balances payable | | 14,380,698 | (2,687,455) |
| Cash from / (used in) operating activities | | 42,766,514 | (72,421,896) |
| Employees' end of service benefits - paid | | (138,961) | (1,254,022) |
| Net cash from / (used in) operating activities | | 42,662,345 | (73,675,918) |
| Cash flows from investing activities | | | |
| Net movement in investments at fair value through equity | 6 | (43,409,125) | 85,642,538 |
| Net movement in property under development | | 156,138 | 43,086,823 |
| Income from deposits received | | 1,720,911 | 590,380 |
| Dividends received from associate | | - | 3,000,000 |
| Dividends income received | | 5,342,298 | 10,259,280 |
| Proceeds from sale of Investment properties | | - | 24,400,810 |
| Proceeds from disposal of fixed assets | | 472,429 | 17,027 |
| Purchase of fixed assets | | (563,941) | (114,699) |
| Net movement in term deposits | | 18,000,000 | (25,300,000) |
| Rental income received | | 15,222,299 | 5,241,953 |
| Net cash (used in) / from investing activities | | (3,058,991) | 146,824,112 |
| Cash flows from financing activities | | | |
| Net movement in Islamic bank facilities | | - | (73,761,268) |
| Dividends paid to shareholders | | (12,763,948) | - |
| Surplus distributed to policyholders | | (108,592) | (3,769,632) |
| Net cash used in financing activities | | (12,872,540) | (77,530,900) |
| Net increase / (decrease) in cash and cash equivalents | | | |
| | | 26,696,022 | (4,382,706) |
| Cash and cash equivalents at 1 January | | <u>33,632,257</u> | <u>38,014,963</u> |
| Cash and cash equivalents at 31 December | 5 | 60,328,279 | 33,632,257 |

The notes from pages 10 to 51 form an integral part of the consolidated financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended 31 December 2019

1. LEGAL STATUS AND ACTIVITIES

Al Khaleej Takaful Insurance Company Q.P.S.C. (the "Company") (Formerly known as "Al Khaleej Takaful Group Q.P.S.C.") is a Qatari public shareholding company registered and incorporated in the State of Qatar under Emiri Decree No. 53 issued on 21 December 1978 and listed on Qatar Exchange. The Company's registered address is Grand Hamad Street, Doha 4555 Qatar. The Company and its subsidiaries (together referred to as the "Group") are engaged in the business of insurance, reinsurance, Takaful insurance, real estate and other investments.

| <u>Name of Subsidiary</u> | <u>Ownership</u> | <u>Country of incorporation</u> | <u>Principal Activities</u> |
|---------------------------|------------------|---------------------------------|--|
| Qatar Takaful Co. W.L.L | 100% | Qatar | Primarily engaged in activities in accordance with Islamic Sharia'a principles on a non-usury basis in all areas of insurance. |
| Mithaq Investments W.L.L | 100% | Qatar | Primarily engaged in investments. |

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with Financial Accounting Standards ('FAS') issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). In line with the requirements of AAOIFI, for matters that are not covered by FAS, the Group uses guidance from the relevant International Financial Reporting Standard ('IFRS') as issued by the International Accounting Standards Board ('IASB').

b) Principal financial statements

As per FAS - 12 General Presentation and Disclosure in the Financial Statement of Islamic takaful Companies issued by the AAOIFI, the entity is required to present the consolidated statements of financial position comprising shareholders' and policyholders' assets and liabilities and the consolidated statements of shareholders' income, policyholders' revenues and expenses, policyholders' surplus or deficit, changes in shareholders' equity, and cash flows.

c) Basis of preparation

In accordance with the provisions of the Articles of Association of the Company, which require the segregation and separate reporting of transactions and balances relating to policyholders and shareholders, all risks and rewards arising from the takaful business are attributable to the policyholders and the consolidated financial statements have been prepared accordingly.

Prior to the year 2010, the Company was undertaking conventional insurance business. The Company has converted its business to takaful insurance business on 1 January 2010. Accordingly, as of that, the Company discontinued conventional insurance business and all outstanding insurance policies were transferred to the shareholders' accounts. Any related claims / recoveries resulting from these policies are separately shown under shareholders' consolidated income statement.

2. BASIS OF PREPARATION (CONTINUED)

c) Basis of preparation (continued)

These consolidated financial statements have been prepared under the historical cost basis except for certain "investments at fair value through equity" and "investments at fair value through income statements" financial instruments that are measured at fair value, in accordance with the principal accounting policies as set out below.

These consolidated financial statements are presented in Qatari Riyal (QR), which is the Group's functional and presentation currency.

d) Significant accounting judgment, estimates and assumptions

The preparation of the consolidated financial statements in conformity with FAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 4.

e) Basis of Consolidation

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed off during the year are included in the consolidated income statement and consolidated statement of policyholders' revenue and expenses from the date the Group gains control until the date the Group ceases to control the subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended 31 December 2019

2. BASIS OF PREPARATION (CONTINUED)

e) Basis of Consolidation (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained; and
- Recognises any surplus or deficit in profit or loss.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

3. SIGNIFICANT ACCOUNTING POLICIES

New standards and interpretations

New standards effective from 1 January 2019

FAS 28 Murabaha and Other Deferred Payment Sales

The objective of this standard is to prescribe the appropriate accounting and reporting principles for recognition, measurement and disclosures to apply in relation to Murabaha and other deferred payment sales transactions for the sellers and buyers for such transactions. This standard supersedes the earlier FAS No. 2 "Murabaha and Murabaha to the Purchase Orderer" and FAS No. 20 "Deferred Payment Sale". This standard applies to accounting for Murabaha and other deferred payment sales transaction carried out under Shari'ah principles, excluding Tawarruq and commodity murabaha transactions. This standard has been effective from 1 January 2019. The adoption of FAS 28 did not have an impact on Group's financial statements.

New standards, amendments and interpretations issued but not effective

FAS 31 Investment Agency (Al-Wakala Bi Al-Istithmar)

AAOIFI has issued FAS 31 Investment Agency (Al-Wakala Bi Al-Istithmar) in 2019. The objective of this standard is to establish the principles of accounting and financial reporting for the investment agency (Al-Wakala Bi Al- Istithmar) instruments and the related assets and obligations from both the principal (investor) and the agent perspectives. This standard shall be effective for the financial periods beginning on or after 1 January 2020 with early adoption permitted.

The Group is currently evaluating the impact of this standard.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards and interpretations (continued)

New standards, amendments and interpretations issued but not effective (continued)

FAS 33 “Investment in Sukuk, shares and similar instruments”

In December 2018, AAOIFI has issued FAS 33 “Investments in Sukuk, shares and similar instruments, which improves upon and supersedes the AAOIFI’s Financial Accounting Standard 25 “Investments in Sukuk, shares and similar instruments” issued in 2010. This standard aims at setting out principle for classification, recognition, measurement, presentation and disclosures of investment in Sukuk, shares and other similar instruments of investments made by Islamic Financial Institutions. The standard defines the key types of Shari’ah compliant investments and defines the primary accounting treatments commensurate to the characteristics and business model of the institution under which investments are made, managed and held.

The standard shall be effective from financial periods beginning on or after 1 January 2020. Early adoption is permitted. The management is assessing the impact of adoption of FAS 33 on Group’s financial statements.

FAS 34 “Financial reporting for sukuk holders”

The objective of this standard is to establish the principles of accounting and financial reporting for assets and business underlying the sukuk to ensure transparent and fair reporting to all relevant stakeholders particularly sukuk-holders.

This standard shall apply to sukuk in accordance with Shari’ah principles and rules issued by an IFI or the other institution (“originator”), directly or through the use of a special purpose vehicle or similar mechanism. In respect of sukuk, which are kept on balance sheet by the originator in line with requirement of FAS 29 “Sukuk in the books of the originator”, the originator may opt not to apply this standard. The standard shall be effective from the financial periods beginning on or after 1 January 2020. Early adoption is permitted. The management has not early adopted FAS 34 and is currently assessing the impact on the Group’s financial statements.

FAS 35 Risk Reserves

AAOIFI has issued FAS 35 “Risk Reserves” in 2018. This standard along with FAS 30 ‘Impairment, Credit losses and onerous commitments’ supersede the earlier FAS 11 “Provisions and reserves”.

The objective of this standard is to establish the principles of accounting and financial reporting for risk reserves established to mitigate various risks faced by stakeholders, mainly the profit and loss taking investors, of Islamic financial institutions (IFIs/ the institutions). The standard provides a broad classification where at the inception of the transaction, the principal (investor) shall evaluate the nature of investment as either a ‘pass-through investment’ – as a preferred option; or the ‘Wakala venture’ approach.

The standard shall be effective from the financial periods beginning on or after 1 January 2020. Early adoption is permitted. The Group is currently assessing the impact of the standard.

FAS 30 Impairment, Credit Losses and Onerous Commitments

AAOIFI has issued FAS 30 Impairment, Credit losses and onerous commitments (FAS 30) in 2017. The objective of this standard is to establish the principles of accounting and financial reporting for the impairment and credit losses on various Islamic financing, investment and certain other assets of Islamic financial institutions (the institutions), and provisions against onerous commitments enabling in particular the users of financial statements to fairly assess the amounts, timing and uncertainties with regard to the future cash flows associated with such assets and transactions. FAS 30 will replace FAS 11 Provisions and Reserves and parts of FAS 25 Investment in Sukuk, shares and similar instruments that deal with impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards and interpretations (continued)

New standards, amendments and interpretations issued but not effective (continued)

FAS 30 Impairment, Credit Losses and Onerous Commitments (continued)

FAS 30 classifies assets and exposures into three categories based on the nature of risks involved (i.e. credit risk and other risks) and prescribes three approaches for assessing losses for each of these categories of assets:

1. Credit Losses approach;
2. Net Realizable Value approach ("NRV"); and
3. Impairment approach.

FAS 30 introduces the Credit Losses approach with a forward-looking 'expected credit loss' model. The Credit Losses approach for receivables and off balance sheet exposures uses a dual measurement approach, under which the loss allowance is measured as either a 12-month expected credit loss or a lifetime expected credit loss. The new impairment model will apply to financial assets which are subject to credit risk, and a number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk (SICR);
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL;
- Establishing group of similar financial assets for the purposes of measuring ECL.

The standard is effective from financial periods beginning on or after 1 January 2020 with early adoption permitted. The Group is currently evaluating the impact of this standard.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial assets

All financial assets are recognised at the time when Group becomes a party to the contractual provisions of the instrument and de recognised when the Group loses control on contractual rights that comprise the financial assets. Any gain or losses on de recognition of financial assets are taken to income directly.

Financial assets are classified into the following specified categories: financial assets at fair value through income statement, investments at fair value through equity and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition to the net carrying amount on initial recognition.

I. Financial assets at fair value through income statement

Financial assets are classified as "fair value through income statement" where the financial asset is either held for trading or it is designated as at fair value through income statement.

A financial asset is classified at fair value through income statement if:

- It has been acquired principally for the purpose of selling in the near future;
- On initial recognition it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

II. Investments at fair value through equity - Quoted

The Group's investments in equity securities are classified as "fair value through equity investments" and are stated at fair value. The fair value of investment securities trading in active markets is based on market prices or broker/dealer valuations. Gains and losses arising from changes in fair value are recognised directly in equity in the fair value reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in the income statement. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the fair value reserve is taken to the consolidated income statement / statement of policyholders' revenue and expenses.

III. Investments at fair value through equity - Unquoted

The fair value of these investments cannot be reliably measured due to the nature of their cash flows, these investments are therefore carried at cost less any provision for impairment.

IV. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and short term deposits with an original maturity of three months or less.

V. Contributions receivable

Contributions receivable are stated at original invoice amount, less any impairment for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

VI. Impairment of financial assets

An assessment is made at each end of the reporting period to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated income statement / statement of policyholders' revenue and expenses;

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

- Impairment of financial assets (continued)

- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

For certain categories of financial assets, such as contribution receivables, assets that are assessed not to be impaired individually are in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of contribution receivables, where the carrying amount is reduced through the use of an allowance account. When a contribution receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated income statement / consolidated statement of policyholders' revenue and expenses.

For investments at fair value through equity, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an investment at fair value through equity is considered to be impaired, cumulative gains or losses previously recognised in equity are reclassified to the consolidated income statement / statement of policyholders' revenue and expenses for the year.

With the exception of investments at fair value through equity, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the consolidated income statement / consolidated statement of policyholders' revenue and expenses to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of investments at fair value through equity, impairment losses previously recognised through the consolidated income statement are not reversed through the income statement / consolidated statement of policyholders' revenue and expenses. Any increase in fair value subsequent to an impairment loss is recognised in equity and accumulated under the heading of fair value reserve. In respect of investments in debt securities, impairment losses are subsequently reversed through the income statement if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

VII. Derecognition of financial assets

The derecognition of a financial asset takes place when the Group no longer controls the contractual rights that comprise the financial asset, which is normally the case when the asset is sold, or all the cash flows attributable to the asset are passed through to an independent party.

B. Trade payables

Liabilities are recognised for amounts to be paid in the future for goods or services, whether billed by the supplier or not.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Retakaful

The Group cedes takaful risk in the normal course of business for all of its businesses. Retakaful contract assets represent balances due from retakaful companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the retakaful contract.

Re-takaful assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the re-takaful asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the retakaful. The impairment loss is recorded in the consolidated statement of policyholders' revenues and expenses.

Ceded retakaful arrangements do not relieve the Group from its obligations to policyholders.

Contributions and claims on assumed retakaful are recognised as income and expenses in the same manner as they would be if the retakaful were considered direct business, taking into account the product classification of the reinsured business.

Retakaful contract liabilities represent balances due to retakaful companies. Amounts payable are estimated in a manner consistent with the associated retakaful contract.

Contributions and claims are presented on a gross basis for both ceded and assumed retakaful.

D. Asset held for sale

An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction, not through continuing use. This asset may be a component of an entity, a disposal group or an individual non-current asset. An asset that is classified as held for sale is stated at the lower of carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

E. Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The Group's share in the results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

F. Fixed Assets

Fixed assets are carried at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated income statement during the financial year in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets (continued)

Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each statement of financial position date, with the effect of any changes in estimate accounted for on prospective basis.

The rates of depreciation used based on the estimated useful lives of the assets are as follows:

| | |
|------------------------|-----|
| Buildings | 5% |
| Computer and equipment | 20% |
| Furniture and fixtures | 20% |
| Vehicles | 20% |

The gain or loss arising on the disposal of an item of fixed assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

G. Investment properties

Land and buildings are considered as investment properties only when they are being held to earn rentals or for long term capital appreciation or both.

Investment properties are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated. The cost of property includes all directly attributable costs including the borrowing costs that are directly attributable to the construction of the assets and excludes the cost of day-to-day servicing of an investment property.

Depreciation on buildings is calculated on a straight line basis over the estimated useful life of 20 years.

The carrying values of investment properties are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

An item of investment property is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the consolidated income statement in the year the asset is derecognised.

Property under construction

Properties in the course of construction for rental are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other investment properties, commences when the assets are ready for their intended use.

H. Impairment

At each statement of financial position date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment (continued)

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statement unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

I. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

I. Provision for outstanding claims

Provision for outstanding claims is recognized at the date the claims are known and covers the liability for loss and loss adjustment expenses based on loss reports from independent loss adjusters and management best estimate. The method for making such estimates and for establishing the resulting liability is continually reviewed.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the end of the reporting period and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the end of the reporting period. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends.

II. Employees' end of service benefits

A provision is made for employees end of service benefits which is payable on completion of employment. The provision is calculated in accordance with Qatari Labour Law based on employees' salaries and accumulated periods of service.

Under Labor law, the Group is required to make contributions to a Government fund scheme for Qatari employees calculated as a percentage of the Qatari employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

The Group has no expectation of settling its employees' end of service benefits obligation in near term. The provision is not discounted as the difference between the provision stated in the consolidated statement of financial position and net present value is not expected to be significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Unexpired risk reserve

Contribution income under a policy is recognized over the period of takaful from the date of inception of the policy to which it relates to its expiry.

The reserve for unexpired risks represents the portion of net contribution income which relates to risks that have not expired as the reporting date. The provision for unearned premium is calculated based on the takaful service pattern provided by the takaful contract and is recognized as income over the term of the contract.

K. Surplus in policyholders' funds

Surplus on policyholders' fund represents accumulated gains on takaful activities and are distributed among the participants by underwriting year on development of business. The timing, quantum and basis of distribution is decided by the Shari'a Supervisory Board of the Group.

L. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group.

I. Gross contributions

Gross contributions (contributions) represent policies underwritten during the year, net of refunds and discounts granted. Gross contributions for Takaful business are recognised when due.

II. Retakaful share of contributions

Retakaful share of contributions are amounts paid to reinsurers in accordance with the retakaful contracts of the Group. The retakaful share of contributions are recognized on the date on which the policy incepts.

III. Net commission expenses and advance commission

Net commission expenses are amortised over the period in which the related contributions are earned. Net commission income that relate to periods of risk that extend beyond the end of the financial year is included under "Takaful and other receivables" in the consolidated statement of financial position.

IV. Wakala fee

The Shareholders' fund is entitled for an annual fixed management fee for Takaful Contributions received during the year. Wakala fee is provided to shareholders at the rate of 20% of gross written premium after deducting gross written premium from fronting business, (2018: 3% of net retained contribution plus general and administrative expenses as approved by the Board and Sharia'a supervisory board).

V. Mudarib share

The Mudarib share represents management fee payable to the shareholders by the policyholders for managing their investments. A rate of 70% of the net income received on the investments of the policyholders are recognized as Mudarba share. The actual rate for each year is determined by the Shari'a Supervisory Board with co-ordination with the Group's Board of Directors.

VI. Dividend income

Dividend revenue from investments is recognised when the Group's right to receive payment has been established.

VII. Rental Income

Rental income is recognised in the consolidated income statement on a straight-line basis over the lease term.

VIII. Income from deposits

Income from deposits with banks is accounted for on the basis of the Group's share of profits distributed by the banks taking into account the principal outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Claims

Claims consist of amounts payable to policyholders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to consolidated statement of policyholders' revenue and expenses as incurred. Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the end of the reporting period, whether reported or not.

Provisions for reported claims not paid as at the end of the reporting period are made on the basis of individual case estimates. The case estimates are based on the assessed amounts of individual losses and where loss assessments have not been carried out, the estimates are established in light of currently available information, past experience of similar claims and in some cases in relation to the sums insured. Case estimates are reviewed periodically to ensure that the recognised outstanding claim amounts are adequate to cover expected future payments including expected claims settlement costs and are updated as and when new information becomes available.

The Group does not discount its liability for unpaid claims as substantially all claims are expected to be paid within 12 months of the reporting period.

N. Commissions received and paid

Commissions received and paid are recognized at the time policies are written.

O. Deferred Commission

It represents the received and paid commissions resulted from subscription in insurance policies, this commissions is deferred and amortised over the period in which the related contributions are earned.

P. General and administrative expenses

General and administrative expenses are charged to the consolidated income statement of shareholders.

Q. Income Tax

Income tax

Income tax expenses recognized in the consolidated statement of profit or loss, comprises current and deferred tax attributed to the non-Qatari shareholders of the subsidiaries of the Group.

Current tax

Current tax comprises the expected tax payable on the taxable profit for the year. It is calculated on the basis of the tax laws enacted (Income Tax Law No. 24 of the year 2018) or substantively enacted at the reporting date in the State of Qatar. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts that are expected to be paid to the General Tax Authority.

Deferred tax

Deferred tax is recognised in respect of temporary differences arising between the carrying amounts of assets and liabilities reported in the Group's financial statements and their respective amounts used for tax purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled using tax rates based on tax laws that have been enacted or substantially enacted by the reporting date in the State of Qatar.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax (continued)

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

As at the reporting date, the Group did not have significant temporary differences between the carrying amount of assets or liabilities on its statement of financial position and their respective amounts used for tax purposes.

R. Foreign currencies

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the profit or loss except when it relates to items where gains or losses are recognised directly in equity, where the gain or loss is then recognised net of the exchange component in equity.

S. Fair values

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets at the close of business at the end of the reporting period.

For financial instruments where there is no active market, the fair value is determined by using discounted cash flow analysis or reference to broker or dealer price quotations. For discounted cash flow analysis, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument.

For unquoted investment funds, fair value is determined based on net asset values as advised by the fund manager.

If the fair value can not be measured reliably, these financial instruments are measured at cost.

T. Financial Risk Management

The Group's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2018.

U. Shari'a supervisory board

The Group's business activities are subject to the supervision of a Shari'a Committee appointed by the Shareholders. The Shari'a Supervisory Board performs a supervisory role in order to determine whether the operations of the Group are conducted in accordance with Shari'a rules and principles.

3. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- Classification of investments

Management decides on the acquisition of an investment whether to classify it as financial instrument at fair value through equity or financial assets at fair value through income statement. The Group classifies investments as financial assets at fair value through income statement if the investment is classified as held for trading and upon initial recognition it is designated by the Group as at fair value through income statement. All other investments are classified as "fair value through equity".

- Impairment of tangible assets

The Group's management tests whether tangible and intangible assets have suffered impairment in accordance with accounting policies stated in note 3. The recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

- Tangible assets useful lives

The Group's management determines the useful lives and related depreciation or amortization charge. The depreciation or amortization charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

- Impairment of contributions receivable

The Group's management reviews periodically items classified as receivables to assess whether a provision for impairment should be recorded in the statement of profit or loss. Management estimates the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty.

- Claims made under takaful contracts

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and management estimations for the claims incurred but not reported. The method for making such estimates and for establishing the resulting liability is continually reviewed. Any difference between the actual and the provisions made are included in the consolidated statement of policyholders' revenue and expenses in the year of settlement.

4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)**Liability adequacy test**

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the takaful liabilities. In performing these tests, current best estimates of future cash flows and claims handling and administration expenses are used. Any deficiency is presented separately, under the policyholders' liabilities and equity in the consolidated statement of financial position.

Going concern

Management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. The Company has been profitable and it has positive net asset and working capital positions. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

5. CASH AND CASH EQUIVALENTS

For the purposes of statement of cash flows, cash and cash equivalents include cash on hand and in banks and term deposits with original maturities of three months or less. Cash and cash equivalents at the end of the financial year as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

| | 2019 | 2018 |
|--|-------------------|-------------------|
| Policyholders | | |
| Cash on hand | - | 300,855 |
| Time deposits (Islamic Banks) (1) | 3,650,000 | 20,300,000 |
| Call accounts (Islamic banks) (2) | 19,907,597 | 11,438,394 |
| Current accounts (Islamic banks) (3) | 6,325,539 | 2,647,522 |
| Total | 29,883,136 | 34,686,771 |
| Shareholders | | |
| Cash on hand | 20,598 | 23,256 |
| Time deposits (Islamic Banks) (1) | 18,750,000 | 8,100,000 |
| Call accounts (Islamic banks) (2) | 16,358,190 | 11,523,821 |
| Current accounts (Islamic banks) (3) | 2,716,355 | 4,698,409 |
| Total | 37,845,143 | 24,345,486 |
| Cash and cash equivalents in the consolidated statement of financial position | 67,728,279 | 59,032,257 |
| Less: deposits with original maturity more than three months | (7,400,000) | (25,400,000) |
| Cash and cash equivalents in the consolidated statement of cash flows | 60,328,279 | 33,632,257 |

- (1) Investment deposits earn profit at rates ranging from 3.3% to 3.6% (31 December 2018: 3.6% to 4%).
- (2) Call accounts earn profit at rates ranging from 0.25% to 1.7% (31 December 2018: 0.25% to 1.7%).
- (3) Included in current accounts non-Islamic bank accounts used for the policyholders' contributions paid by credit cards.

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6. FINANCIAL INVESTMENTS

a. INVESTMENTS AT FAIR VALUE THROUGH EQUITY

| | 2019 | | 2018 | |
|---|-------------------|--------------------|---------------|--------------|
| | Policyholders | Shareholders | Policyholders | Shareholders |
| Quoted investments (i) | | | | |
| Local equity shares | 19,686,966 | 123,236,769 | 17,199,564 | 84,563,848 |
| Foreign equity shares | 473,411 | 946,824 | 563,219 | 1,133,187 |
| Total (1) | 20,160,377 | 124,183,593 | 17,762,783 | 85,697,035 |
| Unquoted investments (ii) | | | | |
| Local equity shares | 1,600,000 | 33,315,046 | 1,600,000 | 33,719,046 |
| Foreign equity shares | 138,700 | 36,400 | 138,700 | 36,400 |
| Total (2) | 1,738,700 | 33,351,446 | 1,738,700 | 33,755,446 |
| Total investments at fair value through equity (1+2) | 21,899,077 | 157,535,039 | 19,501,483 | 119,452,481 |

(i) The quoted investments constitute mainly securities listed in Qatar Exchange.

(ii) The unquoted investments represent investments in companies in which the Group is a founding shareholder.

The movement on investments at fair value through equity is as follows:

| | 2019 | 2018 |
|---------------------------------|--------------------|--------------------|
| Balance at January 1 | 138,953,964 | 251,405,533 |
| Additions | 120,751,498 | 97,512,180 |
| Disposals | (76,058,545) | (182,438,410) |
| Impairment | (4,899,447) | (34,523,036) |
| Changes in fair value | 4,336,646 | 6,997,697 |
| Balance at December 31 (Note 1) | 179,434,116 | 138,953,964 |

Note 1:

Investments at fair value through equity are presented in the consolidated statement of financial position as follows:

| | 2019 | | 2018 | |
|--------------------|-------------------|--------------------|---------------|--------------|
| | Policyholders | Shareholders | Policyholders | Shareholders |
| 31 December | 21,899,077 | 157,535,039 | 19,501,483 | 119,452,481 |

b. INVESTMENTS AT FAIR VALUE THROUGH INCOME STATEMENT

Investments classified as fair value through income statement are presented in the consolidated statement of financial position as follows:

| | 31 December 2019 | | 31 December 2018 | |
|---------------------|------------------|------------------|------------------|--------------|
| | Policyholders | Shareholders | Policyholders | Shareholders |
| December 31* | 2,806,128 | 3,650,000 | 4,089,956 | - |

*This constitutes an investment in foreign sukuk and investment funds managed by Q-Invest.

6. FINANCIAL INVESTMENTS (CONTINUED)

The movement on investments at fair value through income statement is as follows:

| | 2019 | | 2018 | |
|-------------------------------|------------------|------------------|------------------|--------------|
| | Policyholders | Shareholders | Policyholders | Shareholders |
| Balance at January 1 | 4,089,956 | - | 4,806,264 | - |
| Addition during the year | - | 3,650,000 | - | - |
| Redemptions during the year | (1,283,828) | - | (716,308) | - |
| Balance at December 31 | 2,806,128 | 3,650,000 | 4,089,956 | - |

7. TAKAFUL BALANCES RECEIVABLE

| | 2019 | | 2018 | |
|------------------------------------|-------------------|----------------|-------------------|----------------|
| | Policyholders | Shareholders | Policyholders | Shareholders |
| Corporate | 68,626,500 | 113,885 | 42,933,356 | 113,185 |
| Retail | 1,647,272 | 2,400 | 899,311 | 2,400 |
| Government | 1,288,391 | - | 3,479,221 | - |
| | 71,562,163 | 116,285 | 47,311,888 | 115,585 |
| Less: Provision for doubtful debts | (3,935,929) | (109,403) | (2,462,855) | (109,403) |
| At 31 December | 67,626,234 | 6,882 | 44,849,033 | 6,182 |

| Aging: | 2019 | | 2018 | |
|----------------|---------------|--------------|-------------------|-------------------|
| | Policyholders | Shareholders | Policyholders | Shareholders |
| 0-60 days | | | 29,220,303 | 18,295,769 |
| 61-120 days | | | 13,190,960 | 10,313,555 |
| 121-180 days | | | 7,728,082 | 7,175,999 |
| 181-365 days | | | 18,708,582 | 10,227,463 |
| Above 365 days | | | 2,830,521 | 1,414,687 |
| Total | | | 71,678,448 | 47,427,473 |

The movement on the provision for doubtful receivables as follows:

| | 2019 | 2018 |
|-------------------------------|------------------|------------------|
| Balance at January 1 | 2,572,258 | 2,572,258 |
| Charge for the year | 1,473,074 | - |
| Balance at December 31 | 4,045,332 | 2,572,258 |

8. ASSETS HELD FOR SALE

The Group management has decided as per recommendation of "Sharia Supervisory Board" to sell their shares in its associate company "The Bahrain National Life Assurance Company B.S.C" because the company are carrying out a traditional insurance works and based on that, such an investment has been recorded as "asset held for sale" in the consolidated statement of financial position and the final negotiations of selling are in-progress to obtain the highest price. Shown below is a summary of investment in "the Bahrain National Life Assurance Company:

| | Country of incorporation | 2019 | 2018 |
|--|--------------------------|------|------|
| The Bahrain National Life Assurance Company B.S.C. | Kingdom of Bahrain | 25% | 25% |

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9. RETAKAFUL BALANCES RECEIVABLE

| | 2019 | | 2018 | |
|------------------------------------|-------------------|----------------|-------------------|----------------|
| | Policyholders | Shareholders | Policyholders | Shareholders |
| Local reinsurers | 30,834,598 | 206,211 | 18,698,626 | 206,211 |
| Foreign reinsurers | 4,730,684 | 96,985 | 4,913,019 | 96,985 |
| | 35,565,282 | 303,196 | 23,611,645 | 303,196 |
| Less: Provision for doubtful debts | (173,553) | (104,059) | (173,553) | (96,985) |
| At 31 December | 35,391,729 | 199,137 | 23,438,092 | 206,211 |

10. RETAKAFUL CONTRACT ASSETS AND TAKAFUL CONTRACT LIABILITIES

| | 2019 | | 2018 | |
|---|--------------------|----------------|--------------------|------------------|
| | Policyholders | Shareholders | Policyholders | Shareholders |
| Gross takaful contract liabilities | | | | |
| Claims reported unsettled | 185,710,379 | 747,289 | 156,010,216 | 338,321 |
| Claims incurred but not reported | 45,811,235 | - | 41,461,800 | - |
| Unearned contributions | 109,059,293 | - | 108,184,598 | - |
| Total | 340,580,907 | 747,289 | 305,656,614 | 338,321 |
| Retakaful share of takaful liabilities | | | | |
| Claims reported unsettled | 155,441,577 | 541,067 | 134,012,677 | 541,067 |
| Claims incurred but not reported | 32,411,649 | - | 29,855,596 | - |
| Unearned contributions | 54,644,739 | - | 59,256,215 | - |
| Total | 242,497,965 | 541,067 | 223,124,488 | 541,067 |
| Net takaful liabilities | | | | |
| Claims reported unsettled | 30,268,802 | 206,222 | 21,997,539 | (202,746) |
| Claims incurred but not reported | 13,399,586 | - | 11,606,204 | - |
| Unearned contributions | 54,414,554 | - | 48,928,383 | - |
| Total | 98,082,942 | 206,222 | 82,532,126 | (202,746) |

Claim Development 2019

The following table shows the estimated cumulative incurred claims, including claims notified for each successive accident year at the end of each reporting period, together with cumulative payments to date

10. RETAKAFUL CONTRACT ASSETS AND TAKAFUL CONTRACT LIABILITIES (CONTINUED)

a. CLAIM DEVELOPMENT TABLE - 2019

| | Accident Year | | | | | Total |
|--|----------------------|----------------------|----------------------|----------------------|---------------------|----------------------|
| | 2015 and before | 2016 | 2017 | 2018 | 2019 | |
| Estimate of cumulative claims | | | | | | |
| At end of the accident year | 224,646,842 | 75,669,471 | 60,341,182 | 61,760,753 | 65,389,878 | |
| One year later | 109,865,249 | 44,050,691 | 37,891,494 | 52,327,805 | | |
| Two years later | 26,661,854 | 8,695,609 | 5,386,307 | | | |
| Three years later | 18,348,310 | 4,213,167 | | | | |
| Four years later | 8,787,807 | | | | | |
| Current estimate of cumulative claims | 409,565,284 | 140,396,010 | 114,030,948 | 230,756,241 | 152,391,141 | 1,047,139,624 |
| Cumulative payments to date | (388,310,062) | (132,628,938) | (103,618,983) | (114,088,558) | (65,389,878) | (804,036,419) |
| Total cumulative claims recognized in the statement of financial position as of December 31, 2019 | 21,255,222 | 7,767,072 | 10,411,965 | 116,667,683 | 87,001,263 | 243,103,205 |

10. RETAKAFUL CONTRACT ASSETS AND TAKAFUL CONTRACT LIABILITY (CONTINUED)

b. CLAIM DEVELOPMENT TABLE - 2018

| | Accident Year | | | | | Total |
|---|-----------------|---------------|---------------|--------------|--------------|---------------|
| | 2014 and before | 2015 | 2016 | 2017 | 2018 | |
| Estimate of cumulative claims | | | | | | |
| At end of the accident year | 75,782,579 | 86,082,684 | 75,669,471 | 60,341,182 | 61,749,758 | |
| One year later | 55,252,960 | 39,787,446 | 44,050,691 | 37,891,494 | | |
| Two years later | 6,524,104 | 8,038,505 | 8,695,609 | | | |
| Three years later | 4,095,359 | 4,747,531 | | | | |
| Four years later | 1,917,852 | | | | | |
| Current estimate of cumulative claims | 147,728,744 | 154,590,148 | 141,406,830 | 136,368,940 | 189,234,377 | 769,329,039 |
| Cumulative payments to date | (143,572,854) | (138,656,166) | (128,415,771) | (98,232,676) | (61,749,758) | (570,627,225) |
| Total cumulative claims recognized in the statement of financial position as of December 31, 2018 | 4,155,890 | 15,933,982 | 12,991,059 | 38,136,264 | 127,484,619 | 198,701,814 |

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11. OTHER RECEIVABLES AND PREPAYMENTS

| | 2019 | | 2018 | |
|------------------------------------|-------------------|--------------------|-------------------|--------------------|
| | Policyholders | Shareholders | Policyholders | Shareholders |
| Due from related parties (Note 28) | - | - | - | 155,417,186 |
| Rental and other receivables | - | - | 16,889,371 | 4,076,000 |
| Refundable deposits | - | 329,461 | - | 345,950 |
| Employee advances | 583,175 | 680 | 56,135 | 278,027 |
| Advances and Prepayments | - | 1,017,243 | - | 2,257,406 |
| Accrued revenue | 28,090 | 67,005 | 115,057 | 529,210 |
| Others (1) | 15,179,933 | 132,590,034 | 11,848,759 | 5,907,558 |
| At 31 December | 15,791,198 | 134,004,423 | 28,909,322 | 168,811,337 |

(1) This includes receivable from previous related party amounting to QAR 114,000,000. As at 31 December 2019, the Group's management is certain about the recoverability of this balance. Accordingly, no provision has been made against the balance.

12. INVESTMENT PROPERTY

Investment properties comprise investment in lands and buildings acquired to earn rental income and for capital appreciation from such properties. The movement in investment properties during the year was as follows:

| a) Policyholders | Land | Buildings | Total |
|---|-------------------|-------------------|-------------------|
| Cost: | | | |
| Balance at 1 January 2018 / 31 December 2018 / 1 January 2019 | 17,352,540 | 17,885,077 | 35,237,617 |
| Accumulated Depreciation: | | | |
| Balance at 1 January 2018 | - | 1,976,419 | 1,976,419 |
| Depreciation | - | 970,500 | 970,500 |
| Balance at 31 December 2018 / 1 January 2019 | - | 2,946,919 | 2,946,919 |
| Depreciation | - | 972,911 | 972,911 |
| Balance at 31 December 2019 | - | 3,919,830 | 3,919,830 |
| Carrying amounts | | | |
| 31 December 2018 | 17,352,540 | 14,938,158 | 32,290,698 |
| 31 December 2019 | 17,352,540 | 13,965,247 | 31,317,787 |

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12. INVESTMENT PROPERTIES (CONTINUED)

| b) Shareholders | Land | Buildings | Total |
|---|--------------------|-------------------|--------------------|
| Cost: | | | |
| Balance at 1 January 2018 | 160,419,804 | 73,047,794 | 233,467,598 |
| Disposals | (12,718,776) | - | (12,718,776) |
| Balance at 31 December 2018/ 1 January 2019 / 31 December 2019 | 147,701,028 | 73,047,794 | 220,748,822 |
| Accumulated Depreciation: | | | |
| Balance at 1 January 2018 | - | 10,696,916 | 10,696,916 |
| Depreciation | - | 7,717,868 | 7,717,868 |
| Balance at 31 December 2018 / 1 January 2019 | - | 18,414,784 | 18,414,784 |
| Depreciation | - | 3,649,588 | 3,649,588 |
| Balance at 31 December 2019 | - | 22,064,372 | 22,064,372 |
| Carrying amounts | | | |
| 31 December 2018 | 147,701,028 | 54,633,010 | 202,334,038 |
| 31 December 2019 | 147,701,028 | 50,983,422 | 198,684,450 |

As at 31 December 2019, the fair value of the Group's investment property was determined by external, independent valuer, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties. The fair value represents the amount at which the assets could be exchanged between knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. As at 31 December 2019, the fair value at the date of valuation amounted to QAR 255.01 million.

13. FIXED ASSETS

| a) Policyholders | Computer | Total |
|--|------------------|------------------|
| Cost: | | |
| Balance at 1 January 2018 / 31 December 2018 / 31 December 2019 | 2,777,628 | 2,777,628 |
| Accumulated Depreciation: | | |
| Balance as at 1 January 2018 | 2,104,428 | 2,104,428 |
| Depreciation | 673,200 | 673,200 |
| Balance as at 31 December 2018 / 31 December 2019 | 2,777,628 | 2,777,628 |
| Carrying amounts | | |
| At 31 December 2018 | - | - |
| At 31 December 2019 | - | - |

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13. FIXED ASSETS (CONTINUED)

| b) Shareholders | Freehold land | Buildings | Computer and equipment | Furniture and fixtures | Motor vehicle | Work in progress | Total |
|--|------------------|-------------------|------------------------|------------------------|------------------|------------------|-------------------|
| Cost: | | | | | | | |
| Balance as at 1 January 2018 | 6,251,500 | 12,585,383 | 5,522,176 | 11,152,157 | 2,685,000 | 95,989 | 38,292,205 |
| Additions | - | - | 84,442 | 7,757 | 22,500 | - | 114,699 |
| Disposals | - | - | - | (11,572) | - | (14,000) | (25,572) |
| Transfer from property under development (Note 14) | - | 2,321,288 | - | - | - | - | 2,321,288 |
| Balance at 31 December 2018 | 6,251,500 | 14,906,671 | 5,606,618 | 11,148,342 | 2,707,500 | 81,989 | 40,702,620 |
| Additions | - | 144,023 | 130,855 | 119,060 | 170,003 | - | 563,941 |
| Disposals | - | - | (5,498) | (2,199,050) | (941,533) | - | (3,146,081) |
| At 31 December 2019 | 6,251,500 | 15,050,694 | 5,731,975 | 9,068,352 | 1,935,970 | 81,989 | 38,120,480 |
| Accumulated Depreciation: | | | | | | | |
| Balance at 1 January 2018 | - | 12,013,493 | 5,121,756 | 5,963,845 | 1,813,326 | 95,989 | 25,008,409 |
| Depreciation | - | 71,104 | 180,728 | 1,849,184 | 373,681 | - | 2,474,697 |
| Disposals | - | - | - | (11,572) | - | (14,000) | (25,572) |
| Balance at 31 December 2018 | - | 12,084,597 | 5,302,484 | 7,801,457 | 2,187,007 | 81,989 | 27,457,534 |
| Depreciation | - | 177,989 | 124,352 | 1,671,973 | 262,506 | - | 2,236,820 |
| Disposals | - | - | (1,032) | (769,671) | (737,460) | - | (1,508,163) |
| At 31 December 2019 | - | 12,262,586 | 5,425,804 | 8,703,759 | 1,712,053 | 81,989 | 28,186,191 |
| Carrying amounts | | | | | | | |
| At 31 December 2018 | 6,251,500 | 2,822,074 | 304,134 | 3,346,885 | 520,493 | - | 13,245,086 |
| At 31 December 2019 | 6,251,500 | 2,788,108 | 306,171 | 364,593 | 223,917 | - | 9,934,289 |

14. PROPERTY UNDER DEVELOPMENT

| | 2019 | 2018 |
|---------------------------------------|----------------|----------------|
| At 1 January | 412,958 | 45,821,069 |
| Additions | 84,920 | 634,777 |
| Disposal | (241,058) | (43,721,600) |
| Transferred to fixed assets (Note 13) | - | (2,321,288) |
| At 31 December | <u>256,820</u> | <u>412,958</u> |

15. INVESTMENT IN ASSOCIATE

Qatarai Unified Bureau insurance W.L.L is the associate of the Group, in which the Group has 25% of the interest. It is principally engaged in takaful insurance, Qatari unified is not publicly listed.

Movements in investment in the associate are as follows:

| | 2019 | 2018 |
|---------------------------------------|------------------|------------------|
| Carrying amount at 1 January | 6,509,253 | 10,509,253 |
| Dividends received during the year | - | (3,000,000) |
| Provision for impairment | - | (1,000,000) |
| Carrying amount at 31 December | <u>6,509,253</u> | <u>6,509,253</u> |

The following table summarizes the financial information of the Associate as included in the financial statements of the Group.

| | 2019 | 2018 |
|---------------------------------------|-------------------|-------------------|
| | 25% | 25% |
| Total assets | <u>11,590,531</u> | <u>15,825,127</u> |
| Total liabilities | <u>2,783,131</u> | <u>7,015,910</u> |
| Net assets (100%) | <u>8,807,400</u> | <u>8,809,217</u> |
| The Group's Share of net assets (25%) | <u>2,201,850</u> | <u>2,202,304</u> |
| Revenue | <u>1,799,532</u> | <u>884,973</u> |
| The Group's Share of profit (25%) | <u>-</u> | <u>-</u> |

16. ACCOUNTS PAYABLE AND OTHER LIABILITIES

| | 2019 | | 2018 | |
|---|-------------------|-------------------|-------------------|-------------------|
| | Policyholders | Shareholders | Policyholders | Shareholders |
| Accruals and provisions | 4,417 | 3,950 | 17,398,310 | 4,976,533 |
| Due to related parties (Note 28) | - | - | 4,258,386 | - |
| Dividend payable | - | 9,368,997 | - | 8,521,173 |
| Provision for staff bonus | - | 75,900 | - | 3,561,397 |
| Provision for staff leave | - | - | - | 1,097,224 |
| Provision for Social and Sports activities Contribution | - | 737,666 | - | 506,893 |
| Retakaful reserve retained | - | - | 8,450,424 | - |
| Board of Directors Remuneration | - | 714,462 | - | 258,213 |
| Deferred rental income | - | 1,001,805 | - | 3,083,189 |
| Others | 17,990,786 | 14,168,621 | 2,373,512 | 7,639,317 |
| At 31 December | 17,995,203 | 26,071,401 | 32,480,632 | 29,643,939 |

17. DISTRIBUTABLE SURPLUS

As of 31 December 2019 and 2018, there was no distribution of surplus to the policy holders.

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18. EMPLOYEES' END OF SERVICE BENEFITS

| | 2019 | 2018 |
|-----------------------|-------------------------|-------------------------|
| At 1 January | 4,266,198 | 4,799,268 |
| Charge for the year | 695,706 | 720,952 |
| Paid during the year | <u>(138,961)</u> | <u>(1,254,022)</u> |
| At 31 December | <u>4,822,943</u> | <u>4,266,198</u> |

19. SHARE CAPITAL

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the company.

| | 2019 | 2018 |
|---|--------------------|--------------------|
| <i>Authorized, issued and paid up capital</i> | | |
| Share capital of QR 1 each (QR) | <u>255,279,024</u> | <u>255,279,024</u> |
| No. of shares of QR 1 each (Nos.) | <u>255,279,020</u> | <u>255,279,020</u> |

20. LEGAL RESERVE

Legal reserve is computed in accordance with the provisions of the Qatar Central Bank (QCB) regulations, Qatar Commercial Companies' Law and the company's Articles of Association at 10% of the net profit for the year. This reserve is to be maintained until it equates 100% of the paid up capital and is not available for distribution except in circumstances specified in the Qatar Central Bank (QCB) regulations and Qatar Commercial Companies Law. During the year, the Group has transferred 10% of the net income for the year to the statutory reserve.

21. GENERAL RESERVE

As per the articles of association of the company, the directors may create a general reserve in shareholders equity to meet the contribution deficiency that may arise. During the current and comparative years, there was no transfer to the general reserve.

22. FAIR VALUE RESERVES

Fair value reserves comprise of cumulative net change in the fair value of equity securities designated the fair value through equity. Change in fair value reserve from investments at fair value through equity:

| | 2019 | | 2018 | |
|--------------------------------|-------------------------|---------------------------|-------------------------|---------------------------|
| | <u>Policyholders</u> | <u>Shareholders</u> | <u>Policyholders</u> | <u>Shareholders</u> |
| Quoted investments | | | | |
| At January 1 | 2,849,375 | (469,517) | (1,889,000) | (2,728,839) |
| Net movement during the year | <u>3,098,807</u> | <u>1,237,839</u> | <u>4,738,375</u> | <u>2,259,322</u> |
| At December 31 (1) | <u>5,948,182</u> | <u>768,322</u> | <u>2,849,375</u> | <u>(469,517)</u> |
| Unquoted investments | | | | |
| At January 1 / 31 December (2) | - | <u>(2,262,094)</u> | - | <u>(2,262,094)</u> |
| At December 31 (1+2) | <u>5,948,182</u> | <u>(1,493,772)</u> | <u>2,849,375</u> | <u>(2,731,611)</u> |

23. GENERAL AND ADMINISTRATION EXPENSES

| | 2019 | 2018 |
|------------------------------|--------------------------|--------------------------|
| Staff Costs | 21,984,172 | 22,181,051 |
| Travel expenses | 624,524 | 585,416 |
| Sharia supervisory board fee | 194,000 | 200,000 |
| Repair and maintenance | 775,421 | 788,276 |
| Rent | 258,413 | 439,362 |
| Professional fees | 1,194,257 | 855,387 |
| Insurance expenses | 1,007,585 | 972,778 |
| Governmental expenses | 758,454 | 792,134 |
| Bank charges | 294,713 | 308,927 |
| Marketing and advertising | 228,801 | 287,554 |
| Miscellaneous | 3,214,339 | 6,869,313 |
| | <u>30,534,679</u> | <u>34,280,198</u> |

24. INCOME TAX EXPENSES

Based on the New Executive Regulations to the Income Tax Law (No.24 of 2018), subsidiaries and companies owned by listed entities shall now be taxable to the extent of non-Qatari shareholding in the listed company.

Therefore, since the Group has investment in subsidiaries and other companies and are therefore taxable during the current year. Tax is charged at a rate of 10% of the taxable income to the extent of non-Qatari shareholding.

25. BOARD OF DIRECTORS' REMUNERATION

In accordance with the Articles of Association of the Company and the provisions of Qatar commercial companies law No.11 of 2015, the Board of Directors' remuneration for the year 2019 has been proposed at QR 652,718 (2018: QR 258,213). The provision is subject to the approval by the forthcoming shareholders general assembly.

26. SHARI'A SUPERVISORY BOARD

The Group's business activities are subject to the supervision of a Shari'a supervisory board appointed by the Shareholders. The Shari'a Supervisory Board performs a supervisory role in order to determine whether the operations of the Group are conducted in accordance with Shari'a rules and principles.

27. CONTRIBUTION TO SOCIAL AND SPORTS FUND

Pursuant to the Qatar Law No. 13 of 2008 and the related clarifications issued in 2010, which is applicable to all Qatari listed shareholding companies with publicly traded equity, the Group has made an appropriation of 2.5% of its net profit to social and sports fund.

28. RELATED PARTIES**a) Transactions with related parties**

These represent transaction with related parties. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions and directors of the Group and companies of which they are key management personnel. Pricing policies and terms of these transactions are approved by the Group's management and are negotiated under normal commercial terms. Significant transactions during the year are as follows:

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28. RELATED PARTIES (CONTINUED)

a) Transactions with related parties (continued)

| Name | 2019 | 2018 |
|---|-------------------|-------------|
| <i>Premium</i> | | |
| Abd al aziz al baker trading company | - | 4,750 |
| Al baker group | 34,001 | 39,592 |
| Sheikh Jassim Bin Abdulla Al Thani | - | 72,580 |
| Sheikh Abdulla Bin Ahmad Al Thani | 3,792 | 9,146 |
| The gulf trading & contracting company | 242,903 | 242,618 |
| Gulf office solutions | 95,911 | 208,585 |
| Sharaka holding | 166,689 | 249,486 |
| Sheikh Abdulla Bin Mohamad Jabor Al Thani | - | 30,622 |
| Sheikh Fahed Bin Mohamed Jabor Al Thani | 13,700 | 15,140 |
| Sheikh Saud Abdulla Jabor Al Thani | - | 68,287 |
| Mirage International Property Consultants | 73,314 | - |
| Iqra English School | 55,825 | - |
| Abdulla Ali Mohd Ali Al Ansari | 6,936 | - |
| Al Qarya Insurance Broker | 916,779 | - |
| Doha Bank | - | - |
| | 26,763,073 | - |
| <i>Claims paid</i> | | |
| The gulf trading & contracting company | - | 16,000 |
| Doha Bank | 12,986,766 | - |
| Mirage International Property Consultants | 6,193 | - |
| <i>Sale of investments</i> | | |
| Sheikh Saud Bin Abdulla Mohd Jabor Al- Thani – ex CEO | - | 146,000,000 |

b) Balances with related parties:

| Name | 2019 | 2018 |
|--|-------------|-------------|
| Due from Sh. Saud Bin Abdulla Mohd Jabor Al- Thani | - | 144,000,000 |
| Due from Gulf Investments Group | - | 5,017,186 |
| Due to Gulf Investments Group | - | 4,258,386 |
| Al Baker Trading Group | 4,869 | - |
| Sharaka Holdings | 109,628 | - |
| The Gulf Trading and Cont Co. | 317,596 | - |
| Mirage International Property Consultants | 6,043 | - |
| Gulf Office Solutions | 14,329 | - |
| Iqra English School | 15,112 | - |
| Abdulla Ali Mohd Ali Al Ansari | (33,570) | - |
| Al Qarya Insurance Broker | 122,248 | - |
| Doha Bank | (67,524) | - |

c) Compensation of key management personnel:

| | 2019 | 2018 |
|--|------------------|------------------|
| Board of directors' remuneration | 653,718 | 258,213 |
| Salaries and other short term benefits | 3,020,872 | 2,339,575 |
| Employees' end of service benefit | 4,822,943 | 4,266,198 |
| | 8,497,533 | 6,863,986 |

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29. SEGMENT INFORMATION

a) Net underwriting results (policyholder and shareholder)

For the year ended 31 December 2019

| | 2019 | | | | | Total |
|--|--------------------|--------------------|--|---------------------|---------------------|---------------------|
| | Marine & Aviation | Fire | General accident, Energy & Engineering | Motor | Takaful & Medical | |
| Gross contributions | 13,851,692 | 44,068,179 | 57,975,494 | 90,996,062 | 89,575,819 | 296,467,246 |
| Retakaful share of gross contributions | (11,568,429) | (40,619,422) | (51,302,738) | (10,353,207) | (58,878,792) | (172,722,588) |
| Net retained contribution | 2,283,263 | 3,448,757 | 6,672,756 | 80,642,855 | 30,697,027 | 123,744,658 |
| Changes in unearned contributions | (191,981) | (211,108) | (116,558) | (7,249,583) | 1,446,382 | (6,322,848) |
| Net contributions | 2,091,282 | 3,237,649 | 6,556,198 | 73,393,272 | 32,143,409 | 117,421,810 |
| Retakaful commission and other takaful income | 1,699,805 | 6,466,240 | 7,260,830 | 2,747,488 | 3,309,695 | 21,484,058 |
| Change in deferred commission | (81,382) | (862,190) | 2,583,053 | 2,395,970 | (315,455) | 3,719,996 |
| Total takaful revenue (1) | 3,709,705 | 8,841,699 | 16,400,081 | 78,536,730 | 35,137,649 | 142,625,864 |
| Gross claims paid | (1,362,125) | (18,006,894) | (25,532,036) | (49,405,308) | (37,447,474) | (131,753,837) |
| Retakaful share of claims paid | 1,032,747 | 16,969,592 | 24,138,886 | 7,826,909 | 23,460,160 | 73,428,294 |
| Net claims paid | (329,378) | (1,037,302) | (1,393,150) | (41,578,399) | (13,987,314) | (58,325,543) |
| Changes in outstanding claims | (283,921) | (892,313) | (440,581) | (6,288,346) | (775,070) | (8,680,231) |
| Changes in technical reserves | (39,737) | (230,973) | (795,145) | (560,880) | (166,647) | (1,793,382) |
| Commission and other takaful expenses | (683,112) | (2,335,778) | (2,366,039) | (11,060,294) | (7,431,325) | (23,876,548) |
| Total takaful expenses (2) | (1,336,148) | (4,496,366) | (4,994,915) | (59,487,919) | (22,360,356) | (92,675,704) |
| Net surplus from takaful operations (1+2) | 2,373,557 | 4,345,333 | 11,405,166 | 19,048,811 | 12,777,293 | 49,950,160 |

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29. SEGMENT INFORMATION (CONTINUED)

a) Net underwriting results (policyholder and shareholder)

For the year ended 31 December 2018

| | 2018 | | | | | Total |
|---|-------------------|--------------|---------------------------|--------------|-------------------|---------------|
| | Marine & Aviation | Fire | General accident & Energy | Motor | Takaful & Medical | |
| Gross contributions | 11,008,019 | 41,858,602 | 50,284,594 | 81,423,915 | 83,104,637 | 267,679,767 |
| Retakaful share of gross contributions | (9,253,060) | (38,708,095) | (41,738,522) | (12,098,684) | (57,963,077) | (159,761,438) |
| Net retained contribution | 1,754,959 | 3,150,507 | 8,546,072 | 69,325,231 | 25,141,560 | 107,918,329 |
| Movement in unearned contributions | (413,792) | (254,700) | (792,950) | 599,454 | 3,709,075 | 2,847,087 |
| Net contributions | 1,341,167 | 2,895,807 | 7,753,122 | 69,924,685 | 28,850,635 | 110,765,416 |
| Retakaful commission and other takaful income | 1,800,906 | 5,721,577 | 7,447,770 | 3,477,830 | 1,779,699 | 20,227,782 |
| Change in deferred commission | 412,224 | (171,752) | (1,145,800) | 602,557 | (1,875,355) | (2,178,126) |
| Total takaful revenue (1) | 3,554,297 | 8,445,632 | 14,055,092 | 74,005,072 | 28,754,979 | 128,815,072 |
| Gross claims paid | (1,580,099) | (6,844,056) | (10,081,099) | (56,597,133) | (43,927,278) | (119,029,665) |
| Retakaful share of claims paid | 1,267,606 | 6,296,184 | 9,276,928 | 10,483,629 | 35,524,291 | 62,848,638 |
| Net claims paid | (312,493) | (547,872) | (804,171) | (46,113,504) | (8,402,987) | (56,181,027) |
| Changes in outstanding claims | (54,547) | (618,635) | (6,750) | (2,049,757) | 380,195 | (2,349,494) |
| Changes in technical reserves | (239,497) | (677,376) | (779,993) | (2,602,761) | (3,575,880) | (7,875,507) |
| Commission and other takaful expenses | (724,966) | (1,534,406) | (1,985,720) | (9,287,647) | (8,607,354) | (22,140,093) |
| Total takaful expenses (2) | (1,331,503) | (3,378,289) | (3,576,634) | (60,053,669) | (20,206,026) | (88,546,121) |
| Net surplus from takaful operations (1+2) | 2,222,794 | 5,067,343 | 10,478,458 | 13,951,403 | 8,548,953 | 40,268,951 |

29 SEGMENT INFORMATION (CONTINUED)**b) Business segments**

The Group's main business segments are as follows:

As at and for the year ended 31 December 2019:

| | <u>Underwriting</u> | <u>Investments</u> | <u>Real Estate</u> | <u>Unallocated</u> | <u>Total</u> |
|-------------------|---------------------|--------------------|--------------------|--------------------|---------------|
| Net income | 49,950,160 | 8,499,641 | 10,599,800 | (38,655,213) | 30,394,388 |
| Total assets | 384,711,105 | 216,982,940 | 230,259,057 | 194,445,617 | 1,026,398,719 |
| Total liabilities | 417,314,334 | - | - | 48,889,547 | 466,203,881 |

As at and for the year ended 31 December 2018:

| | <u>Underwriting</u> | <u>Investments</u> | <u>Real Estate</u> | <u>Unallocated</u> | <u>Total</u> |
|-------------------|---------------------|--------------------|--------------------|--------------------|--------------|
| Net income | 40,268,951 | (29,345,453) | 13,403,226 | (2,246,420) | 22,080,304 |
| Total assets | 342,673,212 | 218,027,310 | 235,037,694 | 178,961,779 | 974,699,995 |
| Total liabilities | 369,343,808 | - | 3,083,189 | 63,307,580 | 435,734,577 |

c) Geographical segments

The Group operates in the State of Qatar only.

30. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

| | 2019 | 2018 |
|------------------|----------------|-----------|
| Bank guarantees | <u>140,965</u> | 851,200 |
| Performance Bond | <u>-</u> | 43,200 |
| Tender Bond | <u>770,000</u> | 1,358,826 |

31. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit for the year attributable to shareholders by the weighted average number of ordinary shares outstanding during the year.

| | 2019 | 2018 |
|--|--------------------|--------------------|
| Profit attributable to shareholders | <u>28,853,929</u> | <u>20,275,724</u> |
| Weighted average number of ordinary shares (*) | <u>255,279,020</u> | <u>255,279,020</u> |
| Basic earnings per share (QR) | <u>0.11</u> | <u>0.08</u> |

*As per the instructions from the Qatar Financial Markets Authority, the Company's Extraordinary General Assembly on 17 April 2019 approved a 10 for 1 share split i.e. 10 new shares with a par value of QAR 1 each were exchanged for 1 old share with a par value of QAR 10 each. This has led to an increase in the number of authorised and outstanding shares from 25,527,902 to 255,279,020. The listing of the new shares on Qatar Exchange was effective from 1 July 2019. Consequently, weighted average number of shares outstanding has been retrospectively adjusted.

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Governance framework

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of the set financial performance objectives. Key management recognizes the critical importance of having efficient and effective risk management systems in place.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors meets regularly to assess and identify the Group's risk, to review structure to ensure the appropriate quality and diversification of assets, and to ensure that underwriting and retakaful are in line with the Group's strategy and goals. The Group's Board of Directors has overall responsibility to identify and analyses the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Capital management framework

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the group defines as net operating income divided by total shareholders' equity. The Group's objectives when managing capital is:

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing takaful and investment contracts commensurately with the level of risk.

The capital structure of the Group consists of issued capital, reserves and retained earnings.

The Group in the normal course of its business derives its revenue mainly from assuming and managing takaful and investments risks for profit. The Group's lines of business are mainly exposed to the following risks;

- Takaful risk,
- Retakaful risk,
- Credit risk,
- Liquidity risk,
- Market risks, and
- Equity risk

Takaful risk

The principal risk the Group faces under takaful contracts is that the actual claims and benefits payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The Group manages the takaful risk through the careful selection and implementation of its underwriting strategy guidelines together with the adequate retakaful arrangements and proactive claims handling.

The Group principally issues general takaful contracts which constitute mainly marine and aviation, Motor, Fire and general, and Takaful and health. The concentration of takaful risk exposure is mitigated by diversifying the risk underwritten and ensuring that such risks are across a large portfolio in terms of type, level of insured benefits, amount of risk and industry.

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Takaful risk (continued)

The Group, in the normal course of business, in order to minimize financial exposure arising from large claims, enters into contracts with other parties for retakaful purposes. Such retakaful arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the retakaful is affected under treaty, facultative and excess-of-loss retakaful contracts. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the retakaful contracts.

Although the Group has retakaful arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded takaful, to the extent that any reinsurer is unable to meet its obligations assumed under such retakaful agreements. The Group's placement of retakaful is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single retakaful contract.

The Group has in place strict claim review to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and promptly pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

In accordance with Takaful framework, the Group's shareholders does not bear the risks associated with takaful operations where it uses takaful fund, retained surplus and reinsurance agreements to mitigate such risks. In case of insufficient funds in the takaful fund to meet its obligations, the Group grants it an interest free loan and repayable in a number of years that to be determined by the Group's board of directors after consultation with Shari'a Supervisory Board.

- Key assumptions - Takaful risk

The principal assumption underlying the liability estimates is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimated. Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

- Sensitivities

The general takaful claims provisions are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

Claims development:

The Group maintains strong reserves in respect of its takaful business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are generally resolved within one year.

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**- Retakaful risk**

The Group, in the normal course of business, in order to minimise financial exposure arising from large claims, enters into contracts with other parties for retakaful purposes. Such retakaful arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the retakaful is affected under treaty, facultative and excess-of-loss retakaful contracts.

To minimise its exposure to significant losses from retakaful insolvencies, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

The Group only deals with reinsurers approved by the management, which are generally international companies that are rated by international rating agencies or other GCC securities.

Retakaful ceded contracts do not relieve the Group from its obligations to policyholders and as a result the Group remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the retakaful agreements.

- Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Group, the maximum credit risk exposure to the Group is the carrying value as disclosed in the statement of financial position.

A credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group has been established and policies and procedures are in place to mitigate the Group's exposure to credit risk:

Compliance with the policy is monitored and exposures and breaches are regularly reviewed for pertinence and for changes in the risk environment.

- Age analysis of financial assets**31 December 2019**

| | < 60 days | 61 to 120 days | 121 to 180 days | 181 to above 365 days | Total |
|----------------------------|---------------------|-----------------------|------------------------|------------------------------|--------------------|
| Takaful balance receivable | 29,220,303 | 13,190,960 | 7,728,082 | 21,539,103 | 71,678,448 |
| Due from reinsurers | 8,039,583 | 11,341,534 | 9,319,463 | 7,167,898 | 35,868,478 |
| Total | 37,259,886 | 24,532,494 | 17,047,545 | 28,707,001 | 107,546,926 |

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**- Credit risk (continued)***- Age analysis of financial assets (continued)*

31 December 2018

| | < 60 days | 61 to 120 days | 121 to 180 days | 181 to above 365 days | Total |
|----------------------------|-------------------|-------------------|------------------|-----------------------|-------------------|
| Takaful balance receivable | 18,295,769 | 10,313,555 | 7,175,999 | 11,642,150 | 47,427,473 |
| Due from reinsurers | - | 23,914,841 | - | - | 23,914,841 |
| Total | 18,295,769 | 34,228,396 | 7,175,999 | 11,642,150 | 71,342,314 |

- Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Liquidity requirements are monitored on a daily/weekly/monthly basis and management ensures that sufficient funds are available to meet any commitments as they arise.

- Maturity profiles

The table below summarises the undiscounted maturity profile of the financial assets and financial liabilities of the Group based on remaining undiscounted contractual obligations, including interest payable and receivable. For takaful contracts liabilities and retakaful assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognized takaful liabilities. Unearned contributions and the reinsurer's share of unearned contributions have been excluded from the analysis as they are not contractual obligations.

| 31 December 2019 | Up to a year | 1 to 5 years | Total |
|-----------------------------|---------------------|---------------------|--------------------|
| Financial assets | | | |
| Contribution receivables | 68,847,927 | 2,830,521 | 71,678,448 |
| Reinsurance contract assets | 243,039,032 | - | 243,039,032 |
| Reinsurance receivables | 33,544,385 | 2,324,093 | 35,868,478 |
| Time Deposits | - | 7,400,000 | 7,400,000 |
| Cash and cash equivalents | 60,328,279 | - | 60,328,279 |
| Total | 405,759,623 | 12,554,614 | 418,314,237 |

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**- Liquidity risk (continued)***- Maturity profiles (continued)*

| 31 December 2019 | Up to a year | 1 to 5 years | Total |
|--------------------------------|--------------------|-------------------|--------------------|
| Financial liabilities | | | |
| Due to reinsurers | 62,374,570 | - | 62,374,570 |
| Insurance contract liabilities | 341,328,196 | - | 341,328,196 |
| Payables and other liabilities | 44,066,604 | - | 44,066,604 |
| Total | 447,769,370 | - | 447,769,370 |
| | | | |
| 31 December 2018 | Up to a year | 1 to 5 years | Total |
| Financial assets | | | |
| Contribution receivables | 46,012,786 | 1,414,687 | 47,427,473 |
| Reinsurance contract assets | 223,665,555 | - | 223,665,555 |
| Reinsurance receivables | 23,914,841 | - | 23,914,841 |
| Time Deposits | - | 25,400,000 | 25,400,000 |
| Cash and cash equivalents | 33,632,257 | - | 36,632,257 |
| Total | 327,225,439 | 26,814,687 | 357,040,126 |
| | | | |
| 31 December 2018 | Up to a year | 1 to 5 years | Total |
| Financial liabilities | | | |
| Due to reinsurers | 47,993,872 | - | 47,993,872 |
| Insurance contract liabilities | 305,994,835 | - | 305,994,835 |
| Payables and other liabilities | 62,124,571 | - | 62,124,571 |
| Total | 416,113,278 | - | 416,113,278 |

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Group limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in international and local equity and bond markets. In addition, The Group actively monitors the key factors that affect stock and bond market movements, including analysis of the operational and financial performance of investees.

i. Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Qatari Riyal is effectively pegged to the United States dollars and thus currency risk occurs only in respect of currencies other than the United States Dollar. The Group's exposure to currency risk is minimal, since most of the transactions are either in Qatari Riyals or in US Dollars.

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**Market risk (continued)****ii. Interest rate risk**

The Group is exposed to interest rate risk related to the Islamic security deposits.

Fair value sensitivity analysis for variable interest rate

A change of 100 basis points in interest rates at the reporting date would have increased or (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

| | Profit or (Loss) | |
|-----------------------|-----------------------------|---------------------|
| | 31 December 2019 | 31 December 2018 |
| Cash flow sensitivity | <u>224,000</u> | <u>284,000</u> |

Equity price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's equity price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices.

The Group limits equity price risk by maintaining a diversified portfolio and by monitoring the developments in equity markets. The majority of the Group's equity investments comprise securities quoted on the Qatar Exchange.

The following table demonstrates the sensitivity of the effect of cumulative changes in fair value of the Group to reasonably possible changes in the prices of equities, with all other variables held constant. The effect of decrease in equity prices is expected to be equal and opposite to the effect of the increase shown.

| | Changes in equity prices | Effect on equity | Effect on profit |
|--|---|-----------------------------|-----------------------------|
| | | QR | QR |
| 2019 | | | |
| Investments at fair value through equity | <u>+5%</u> | <u>9,450,984</u> | <u>-</u> |
| 2018 | | | |
| Investments at fair value through equity | <u>+5%</u> | <u>5,172,991</u> | <u>-</u> |

33. MUDAREB SHARE AND WAKALA FEES

Mudareb fees are calculated at a rate of 70% (2018: 70%) of the net income received on the investments of the policyholders. The actual rate for each year is determined by the Sharia Supervisory Board after co-ordination with the Company's Board of Directors.

The Wakala fee is provided to shareholders' at the rate of 20% of gross written premium after deducting gross written premium from fronting business as approved by the Board and Sharia'a supervisory board on their meeting dated 10 January 2019 (2018: 3% of net retained contribution plus general and administrative expenses).

34. FAIR VALUE MEASUREMENT

Fair Values

The Group's financial assets (cash and bank balances, time deposits, investments at fair value through equity, takaful balances receivable, retakaful balances receivable, and other receivables and prepayments) and financial liabilities (gross outstanding claims, claims incurred but not reported, retakaful and takaful balances payable, distributable surplus, bank overdraft, and accounts payable and other liabilities) are measured at amortised cost and not at fair value. Management believes that the carrying values of these financial assets and financial liabilities as at the reporting date are a reasonable approximation of their fair values.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: Techniques that use inputs that have a significant effect on the recorded fair values are not based on observable market data.

Accounting classification and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarch

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34. FAIR VALUE MEASUREMENT (CONTINUED)

Accounting classification and Fair values (continued)

As at 31 December 2019:

| | Carrying Value | | Total carrying amount | Fair Value | | |
|---|----------------|----------------|-----------------------|-------------|---------|------------|
| | Fair value | Amortized cost | | Level 1 | Level 2 | Level 3 |
| Financial assets measured at fair value | | | | | | |
| <i>Policyholders</i> | | | | | | |
| Investments at fair value through equity | 21,899,077 | - | 21,899,077 | | | 1,738,700 |
| Investments at fair value through income statement | 2,806,128 | - | 2,806,128 | 20,160,377 | | 2,806,128 |
| Financial assets not measured at fair value | | | | | | |
| Bank balances and time deposits | - | 29,883,136 | 29,883,136 | | | |
| Takaful balances receivable | - | 67,626,234 | 67,626,234 | | | |
| Retakaful balances receivable | - | 35,391,729 | 35,391,729 | | | |
| Other receivables and prepayments | - | 15,791,198 | 15,791,198 | | | |
| Financial liabilities not measured at fair value | | | | | | |
| Accounts payable and Other liabilities | - | (17,995,203) | (17,995,203) | | | |
| Retakaful and takaful balances payable | - | (60,941,143) | (60,941,143) | | | |
| Dividends for policyholders | - | (5,821,783) | (5,821,783) | | | |
| Financial assets measured at fair value | | | | | | |
| <i>Shareholders</i> | | | | | | |
| Investments at fair value through equity | 157,535,039 | - | 157,535,039 | | | 33,351,446 |
| Investments at fair value through income statement | 3,650,000 | - | 3,650,000 | 124,183,593 | | 3,650,000 |
| Financial assets not measured at fair value | | | | | | |
| Bank balances and time deposits | - | 37,845,143 | 37,845,143 | | | |
| Takaful balances receivable | - | 6,882 | 6,882 | | | |
| Retakaful balances receivable | - | 199,137 | 199,137 | | | |
| Retakaful share of gross outstanding claims | - | 541,067 | 541,067 | | | |
| Other receivables and prepayments | - | 134,004,423 | 134,004,423 | | | |
| Financial liabilities not measured at fair value | | | | | | |
| Accounts payable and Other liabilities | - | (26,071,401) | (26,071,401) | | | |
| Retakaful and takaful balances payable | - | (1,433,427) | (1,433,427) | | | |
| Employees' end of service benefits | - | (4,822,943) | (4,822,943) | | | |
| | 185,890,244 | 204,203,049 | 390,093,293 | | | |

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019**

In Qatari Riyals

34. FAIR VALUE MEASUREMENT (CONTINUED)

Accounting classification and Fair values (continued)

As at 31 December 2018:

| | Carrying Value | | Fair Value | | | |
|---|----------------|----------------|-----------------------|------------|---------|------------|
| | Fair value | Amortized cost | Total carrying amount | Level 1 | Level 2 | Level 3 |
| <i>Financial assets measured at fair value</i> | | | | | | |
| <i>Policyholders</i> | | | | | | |
| Investments at fair value through equity | 19,501,483 | - | 19,501,483 | | | 1,738,700 |
| Investments at fair value through income statement | 4,089,956 | - | 4,089,956 | 17,762,783 | | 4,089,956 |
| <i>Financial assets not measured at fair value</i> | | | | | | |
| Bank balances and time deposits | - | 34,686,771 | 34,686,771 | | | |
| Takaful balances receivable | - | 44,849,033 | 44,849,033 | | | |
| Retakaful balances receivable | - | 23,438,092 | 23,438,092 | | | |
| Other receivables and prepayments | - | 28,909,322 | 28,909,322 | | | |
| <i>Financial liabilities not measured at fair value</i> | | | | | | |
| Accounts payable and Other liabilities | - | (32,480,632) | (32,480,632) | | | |
| Retakaful and takaful balances payable | - | (45,867,274) | (45,867,274) | | | |
| Dividends for policyholders | - | (5,930,375) | (5,930,375) | | | |
| <i>Financial assets measured at fair value</i> | | | | | | |
| <i>Shareholders</i> | | | | | | |
| Investments at fair value through equity | 119,452,481 | - | 119,452,481 | 85,697,035 | | 33,755,446 |
| <i>Financial assets not measured at fair value</i> | | | | | | |
| Bank balances and time deposits | - | 24,345,486 | 24,345,486 | | | |
| Takaful balances receivable | - | 6,182 | 6,182 | | | |
| Retakaful balances receivable | - | 206,211 | 206,211 | | | |
| Retakaful share of gross outstanding claims | - | 541,067 | 541,067 | | | |
| Other receivables and prepayments | - | 168,811,337 | 168,811,337 | | | |
| <i>Financial liabilities not measured at fair value</i> | | | | | | |
| Accounts payable and Other liabilities | - | (29,643,939) | (29,643,939) | | | |
| Retakaful and takaful balances payable | - | (2,126,598) | (2,126,598) | | | |
| Employees' end of service benefits | - | (4,266,198) | (4,266,198) | | | |
| | 143,043,920 | 205,478,485 | 348,522,405 | | | |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

34. FAIR VALUE MEASUREMENT (CONTINUED)

Accounting classification and Fair values (continued)

| Type | Valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|-----------------------------|---|--|--|
| Unquoted equity instruments | At each reporting period, the management internally estimates the fair values of unquoted equity instruments using Adjusted net asset value method. | Not applicable | Not applicable |

35. ZAKAT

The articles of Association of the Company do not authorize management to pay Zakat on behalf of the shareholders. The responsibility of paying Zakat rests with the shareholders.

36. DIVIDEND DECLARED AND PAID

The Board of Directors has proposed in their meeting dated 3 March 2020 to distribute cash dividends of QR 0.05 per share amounting to QR 12,763,951. The proposed dividends are subject to the approval of shareholders in the coming General Assembly meeting.

At the Annual General Meeting on 17 April 2019, a dividend in respect of the profit for the year ended 31 December 2018 of QR 0.05 per share amounting to a total dividend of QR 12,763,948 was approved. The dividends were paid during the year ended 31 December 2019.

37. COMPARATIVE FIGURES

The comparative figures presented have been reclassified where necessary to preserve consistency with the current year figures. However, such reclassifications did not have any effect on the net profit or the total equity for the comparative year.

Claims incurred but not reported (Policyholders)

In previous years, management disclosed the amount of claim incurred but not reported net of reinsurance balance. The management has reclassified the balance on gross basis.

Investments at fair value through income statement (Policyholders)

In previous years, management disclosed the investments in sukuku at fair value through equity. The management has reclassified it to the investments at fair value through income statement.

AL KHALEEJ TAKAFUL INSURANCE COMPANY Q.P.S.C.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
For the year ended 31 December 2019**37. COMPARATIVE FIGURES (continued)**

The impact of the reclassification as at 31 December 2018 is as follows:

| | As previously reported as at 31 December 2018 | Reclassification | Reclassified as at 31 December 2018 | Reclassified as at 1 January 2018 |
|---|---|------------------|--|--------------------------------------|
| Retakaful share of claim incurred but not reported | - | 29,855,596 | 29,855,596 | 12,168,130 |
| Claim incurred but not reported | 11,606,204 | 29,855,596 | 41,461,800 | 15,898,828 |
| Investment at fair value through income statement | - | 4,089,956 | 4,089,956 | 4,806,264 |
| Investment at fair value through equity | 23,591,439 | (4,089,956) | 19,501,483 | 14,482,955 |

38. SUBSEQUENT EVENTS

There were no significant events after the reporting date, which have bearing on the understanding of these financial statements

39. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorized for issue on 3 March 2020.