

Al Khaleej Takaful Insurance Company Q.P.S.C.
Condensed Consolidated Interim Financial Statements
30 September 2019

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

**Condensed Consolidated Interim Financial Statements
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KPMG
25 C Ring Road
PO Box 4473, Doha
State of Qatar
Telephone: +974 4457 6444
Fax: +974 4442 5626
Website: home.kpmg/qa

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the Board of Directors of Al Khaleej Takaful Insurance Company Q.P.S.C.

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Al Khaleej Takaful Insurance Company Q.P.S.C. (the "Company") and its subsidiaries (together referred to as the "Group") which include:

- The condensed consolidated statement of financial position as at 30 September 2019,
- The condensed consolidated statement of policyholders' revenues and expenses for the three and nine month periods ended 30 September 2019,
- The condensed consolidated statement of policyholders' surplus for the nine month periods ended 30 September 2019,
- The condensed consolidated income statement for the three and nine month period ended 30 September 2019,
- The condensed consolidated statement of changes in shareholders' equity for the nine month period ended 30 September 2019,
- The condensed consolidated statement of cash flows for the nine month period ended 30 September 2019,
- Notes to the condensed consolidated interim financial statements.

The Board of Directors of the Company is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organization for Islamic Financial Institutions ('AAOIFI'). Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

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



Independent auditor's report on review of condensed consolidated interim financial statements (continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at and for the nine months period ended 30 September 2019 are not prepared, in all material respects, in accordance with Financial Accounting Standards issued by AAOIFI.

27 October 2019
Doha
State of Qatar

A handwritten signature in blue ink, appearing to read 'Yacoub Hobeika', with a large, sweeping flourish underneath.

Yacoub Hobeika
Qatar Auditor's Registry Number 289
KPMG
Licensed by QFMA: External Auditor's
License No. 120153

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

**Condensed consolidated statement of financial position
As at 30 September 2019**

In Qatari Riyals

	Notes	30 September 2019 (Reviewed)	31 December 2018 (Audited)
Policyholders' assets			
Cash and bank balances	6	5,863,107	14,386,771
Time deposits	6	20,300,000	20,300,000
Investments at fair value through equity	8	25,049,772	23,591,439
Takaful balances receivable		62,486,491	44,849,033
Retakaful balances receivable		40,931,147	23,438,092
Retakaful share of unearned contributions	7	78,522,258	59,256,215
Retakaful share of gross outstanding claims	7	162,258,606	134,012,677
Deferred commission		10,536,633	6,492,046
Other receivables and prepayments		30,644,820	28,909,322
Investment properties	9	31,556,773	32,290,698
Total policyholders' assets		<u>468,149,607</u>	<u>387,526,293</u>
Shareholders' assets			
Cash and bank balances	6	18,848,476	19,245,486
Time deposits	6	43,750,000	5,100,000
Investments at fair value through equity	8	125,344,676	122,547,125
Assets held for sale		21,454,007	21,454,007
Takaful balances receivable		9,368	6,182
Retakaful balances receivable		196,211	206,211
Retakaful share of gross outstanding claims	7	541,067	541,067
Other receivables and prepayments		147,454,043	165,716,693
Investment properties	9	199,599,484	202,334,038
Fixed assets		11,515,859	13,245,086
Property under development		754,285	412,958
Investment in associate	10	6,509,253	6,509,253
Total shareholders' assets		<u>575,976,729</u>	<u>557,318,106</u>
Total assets		<u>1,044,126,336</u>	<u>944,844,399</u>

The Condensed Consolidated Statement of Financial Position continues on next page.

The notes from pages 10 to 22 form an integral part of the condensed consolidated interim financial statements.

Condensed consolidated statement of financial position (Continued)
As at 30 September 2019

In Qatari Riyals

	Notes	30 September 2019 (Reviewed)	31 December 2018 (Audited)
Policyholders' equity			
Retained surplus		13,738,011	15,172,993
Fair value reserve		5,416,698	2,849,375
Retained surplus		<u>19,154,709</u>	<u>18,022,368</u>
Policyholders' liabilities			
Unearned contributions	7	144,516,872	108,184,598
Gross outstanding claims	7	190,177,427	156,010,216
Claims incurred but not reported	7	11,606,204	11,606,204
Deferred commission income		9,964,078	9,424,626
Accounts payable and other liabilities		33,610,865	32,480,632
Retakaful and takaful balances payable		49,597,008	45,867,274
Distributable surplus		5,901,431	5,930,375
Bank overdraft		3,621,013	-
Total policyholders' liabilities		<u>448,994,898</u>	<u>369,503,925</u>
Total policyholders' equity and liabilities		<u>468,149,607</u>	<u>387,526,293</u>
Shareholders' liabilities			
Gross outstanding claims	7	747,289	338,321
Accounts payable and other liabilities		33,913,354	29,643,939
Retakaful and takaful balances payable		1,832,204	2,126,598
Employees' end of service benefits		4,699,709	4,266,198
Total shareholders' liabilities		<u>41,192,556</u>	<u>36,375,056</u>
Shareholders' equity			
Share capital	11	255,279,024	255,279,024
Legal reserve		235,050,025	235,050,025
General reserve		75,477	75,477
Fair value reserve		(4,022,085)	(2,731,611)
Retained earnings		48,401,732	33,270,135
Total shareholders' equity		<u>534,784,173</u>	<u>520,943,050</u>
Total shareholders' liabilities and equity		<u>575,976,729</u>	<u>557,318,106</u>
Total liabilities, surplus of policyholders and shareholders' equity		<u>1,044,126,336</u>	<u>944,844,399</u>

These condensed consolidated interim financial statements were approved by the Company's Board of Directors on 27th October 2019 and signed on their behalf by:



Shk. Fahad Bin Mohamed Jabor Al-Thani
Deputy Chairman of the Board



Mr. Abdulla Ali Al-Assiri
Chief Executive Officer

The notes from pages 10 to 22 form an integral part of the condensed consolidated interim financial statements.

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

Condensed consolidated statement of policyholders' revenues and expenses
For the three and nine months ended 30 September 2019

In Qatari Riyals

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2019 (Reviewed)	2018 (Reviewed)	2019 (Reviewed)	2018 (Reviewed)
Takaful revenues				
Gross contributions	72,566,925	63,751,820	231,763,622	214,570,272
Retakaful share	(40,632,113)	(36,253,605)	(131,756,494)	(130,331,372)
Retained contributions	31,934,812	27,498,215	100,007,128	84,238,900
Movement in unearned contributions	(1,978,406)	(440,683)	(17,066,231)	(3,425,505)
Net retained contributions	29,956,406	27,057,532	82,940,897	80,813,395
Re-takaful commission and other takaful income	6,512,103	5,286,952	17,781,921	16,672,398
Change in deferred commission	(82,395)	234,405	3,505,135	1,148,186
Total Takaful revenue	36,386,114	32,578,889	104,227,953	98,633,979
Takaful expenses				
Gross claims paid	(30,276,854)	(32,071,891)	(100,905,508)	(88,912,804)
Re-takaful share of claims paid	15,845,517	18,451,315	58,431,886	47,999,567
Net claims paid	(14,431,337)	(13,620,576)	(42,473,622)	(40,913,237)
Movement in outstanding claims	(6,011,519)	(2,233,997)	(5,921,282)	1,038,640
Movement in technical reserves	68,056	(35,107)	-	455,350
Commission and other takaful expenses	(8,262,860)	(6,584,399)	(18,668,227)	(16,588,169)
Total takaful expenses	(28,637,660)	(22,474,079)	(67,063,131)	(56,007,416)
Net surplus from takaful operations	7,748,454	10,104,810	37,164,822	42,626,563
Dividend income	141,365	82,455	1,328,683	1,135,509
Income from deposits	246,024	115,653	806,725	266,480
Rental income	470,303	612,000	1,454,303	1,836,000
Total Surplus	8,606,146	10,914,918	40,754,533	45,864,552
Other Expenses				
Wakala fees	(12,131,695)	(7,085,189)	(37,142,342)	(23,552,491)
Depreciation	(247,330)	(320,726)	(733,924)	(975,620)
Other expenses	(600,048)	(578,190)	(1,800,451)	(672,994)
Mudarib expenses	(600,385)	(567,138)	(2,512,798)	(2,265,207)
Total other expenses	(13,579,458)	(8,551,243)	(42,189,515)	(27,466,312)
(Deficit) / Surplus of revenues over expenses	(4,973,312)	2,363,675	(1,434,982)	18,398,240

The notes from pages 10 to 22 form an integral part of the condensed consolidated interim financial statements.

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

**Condensed consolidated statement of policyholders' surplus
For the nine months ended 30 September 2019**

In Qatari Riyals

	For the nine months period ended 30 September	
	2019 (Reviewed)	2018 (Reviewed)
Retained surplus balance at the beginning of the period	15,172,993	10,568,495
(Deficit) / Surplus for the period	<u>(1,434,982)</u>	<u>18,398,240</u>
Total surplus at the end of the period	13,738,011	28,966,735
Distribution to policyholders during the period	<u>-</u>	<u>-</u>
Retained surplus balance at the end of the period	<u>13,738,011</u>	<u>28,966,735</u>

The notes from pages 10 to 22 form an integral part of the condensed consolidated interim financial statements.

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

Condensed consolidated income statement

For the three and nine months period ended 30 September 2019

In Qatari Riyals

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2019 (Reviewed)	2018 (Reviewed)	2019 (Reviewed)	2018 (Reviewed)
Shareholders' revenues and expenses				
Claims paid	-	-	-	-
Re-takaful share of claims paid	-	-	-	-
Net claims paid	-	-	-	-
Movement in outstanding claims	-	-	(408,968)	75
Total takaful expenses	-	-	(408,968)	75
(Deficit) / Surplus from takaful operations	-	-	(408,968)	75
Investments and other income				
Wakala income	12,131,695	7,085,189	37,142,342	23,552,491
Mudarib income	600,385	567,138	2,512,798	2,265,207
Income from deposits	299,409	3,556	584,262	6,092
Dividend income	32,680	(1,265,527)	3,851,709	8,584,735
Net realized gain / (loss) on sale of investment at fair value through equity	4,450,190	1,469,360	6,372,508	(2,846,931)
(Loss) / gain on disposal of fixed assets	-	(200)	263,890	3,027
Rental income, net	2,088,429	1,012,233	7,009,426	2,353,129
Other income	1,100	173	1,600	274,483
Total investment and other income	19,603,888	8,871,922	57,738,535	34,192,233
Expenses				
General and administrative expenses	(5,798,105)	(5,550,000)	(19,239,588)	(18,660,984)
Finance cost	-	(911,150)	-	(2,749,310)
Depreciation	(1,506,954)	(1,114,359)	(4,590,793)	(3,726,103)
Impairment loss on investment at fair value through equity	(3,078,241)	-	(5,603,641)	-
Total expenses	(10,383,300)	(7,575,509)	(29,434,022)	(25,136,397)
Net Income	9,220,588	1,296,413	27,895,545	9,055,911
Basic and diluted earnings per share (QR Per share) (Note 15)	0.04	0.01	0.11	0.04

The notes from pages 10 to 22 form an integral part of the condensed consolidated interim financial statements.

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

**Condensed consolidated statement of changes in shareholders' equity
For the nine months period ended 30 September 2019**

In Qatari Riyals

	Share capital	Legal reserve	General reserve	Fair value reserve	Retained earnings	Total
Balance as at 1 January 2019 (Audited)	255,279,024	235,050,025	75,477	(2,731,611)	33,270,135	520,943,050
Net income for the period	-	-	-	-	27,895,545	27,895,545
Movement in fair value reserve	-	-	-	(1,290,474)	-	(1,290,474)
Dividends paid	-	-	-	-	(12,763,948)	(12,763,948)
Balance as at 30 September 2019 (Reviewed)	255,279,024	235,050,025	75,477	(4,022,085)	48,401,732	534,784,173
Balance as at 1 January 2018 (Audited)	255,279,024	232,951,190	75,477	(1,474,400)	4,956,329	491,787,620
Impact of correction of errors (Note 19)	-	-	-	(3,516,533)	10,643,810	7,127,277
Balance at 1 January 2018 (restated)	255,279,024	232,951,190	75,477	(4,990,933)	15,600,139	498,914,897
Net income for the period	-	-	-	-	9,055,911	9,055,911
Movement in fair value reserve	-	-	-	13,108,047	-	13,108,047
Balance as at 30 September 2018 (Reviewed)	255,279,024	232,951,190	75,477	8,117,114	24,656,050	521,078,855

The notes from pages 10 to 22 form an integral part of the condensed consolidated interim financial statements.

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

Condensed consolidated statement of cash flows
For the nine months period ended 30 September 2019

In Qatari Riyals

	Note	For the nine months period ended 30 September	
		2019 (Reviewed)	2018 (Reviewed)
Cash flows from operating activities			
Net income for the period		27,895,545	9,055,911
Policyholders' (deficit) / surplus for the period		(1,434,982)	18,398,240
		<u>26,460,563</u>	<u>27,454,151</u>
<i>Adjustments for:</i>			
Depreciation		5,324,717	4,701,723
Income from deposits		(1,390,987)	(272,572)
Dividend income		(5,180,392)	(9,720,244)
Impairment loss on investment at fair value through equity		5,603,641	-
Gain on sale of fixed assets		(263,890)	(3,027)
Rental income		(8,463,729)	(4,189,129)
Operating profit before working capital changes		<u>22,089,923</u>	<u>17,970,902</u>
<i>Changes in:</i>			
Takaful balances receivable		(17,640,644)	(1,887,656)
Retakaful balances receivable		(17,483,055)	4,119,881
Retakaful share of unearned contributions		(19,266,043)	6,223,999
Retakaful's share of outstanding claims		(28,245,929)	6,065,841
Deferred commission expense		(4,044,587)	-
Other receivable and prepayments		16,527,152	(10,919,085)
Unearned contributions		36,332,274	(3,569,246)
Gross outstanding claims		34,576,179	(7,104,554)
Claims incurred but not reported		-	(455,357)
Deferred commission income		539,452	-
Accounts payable and other liabilities		5,399,648	613,479
Retakaful balances payable		3,435,340	(10,433,930)
Cash generated from operating activities		<u>32,219,710</u>	<u>624,274</u>
Employees' end of service benefits		433,511	(270,479)
Net cash from operating activities		<u>32,653,221</u>	<u>353,795</u>
Cash flows from investing activities			
Movement in investments at fair value through equity		(8,582,676)	7,276,414
Acquisition of fixed assets		(328,117)	(329,287)
Proceeds from disposal of fixed assets		464,996	11,270
Acquisition of property under development		(341,327)	(413,838)
Income from deposits received		1,390,987	272,572
Dividends received from associates		-	3,000,000
Dividends income received		5,180,392	9,720,244
Net movement in short term deposits		-	(5,000,000)
Net movement in term deposits		(38,650,000)	(3,650,000)
Rental income received		8,463,729	4,189,129
Net cash (used in) / from investing activities		<u>(32,402,016)</u>	<u>15,076,504</u>
Cash flows from financing activities			
Net movement in Islamic bank facilities		-	(9,734,162)
Surplus distributed to policyholders		(28,944)	(3,749,276)
Dividends paid to shareholders		(12,763,948)	-
Net cash used in financing activities		<u>(12,792,892)</u>	<u>(13,483,438)</u>
Net (decrease) / increase in cash and cash equivalents		<u>(12,541,687)</u>	<u>1,946,861</u>
Cash and cash equivalents at 1 January		<u>33,632,257</u>	<u>38,014,963</u>
Cash and cash equivalents at 30 September	6	<u>21,090,570</u>	<u>39,961,824</u>

The notes from pages 10 to 22 form an integral part of the condensed consolidated interim financial statements.

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

Notes to the condensed consolidated interim financial statements For the nine months period ended 30 September 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 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 and its subsidiaries (together referred to as the "Group") are engaged in the business of insurance, reinsurance, Takaful insurance and real estate investment.

Name of Subsidiary	Ownership	Country of incorporation	Principal Activities
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.

These condensed consolidated interim financial statements were authorized for issue in accordance with a resolution of the Board of Directors on 27 October 2019.

2. BASIS OF PREPARATION

a) Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI"). For matters that are not covered by FAS, the Group uses the guidance from the relevant International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Accordingly, the condensed consolidated interim financial statements have been prepared in accordance with the guidance provided by International Accounting Standard 34 – 'Interim Financial Reporting'.

The condensed consolidated interim financial statements do not contain all information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2018. In addition, results for the Nine-months period ended 30 September 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

The condensed consolidated interim financial statements are presented in Qatari Riyals ("QAR"), which is the Group's functional and presentational currency, and all values are rounded to the nearest QAR.

b) Significant accounting judgment, estimates and assumptions

The preparation of the condensed consolidated interim 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 period in which the estimate is revised and in any future periods affected.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are consistent with those applied to the annual financial statements as at 31 December 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

New standards and interpretations

New standards, amendments and interpretations 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 management has assessed that adoption of FAS 28 does not have impact on Group’s financial statements.

New standards, amendments and interpretations issued but not yet effective

FAS 30 – Impairment, credit losses and onerous commitments

AAOIFI has issued FAS 30 Impairment, Credit losses and onerous commitments 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 deals with impairment.

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 new impairment model will apply to financial assets which are subject to credit risk. 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; and
- Establishing Groups of similar financial assets for the purposes of measuring ECL.

Impairment loss is the amount by which the carrying amount of assets exceeds its recoverable amount.

The standard shall be effective from the financial periods beginning on or after 1 January 2020. Early adoption is permitted. The Group is in the process of assessing the estimated impact of credit loss approach that the initial application of FAS 30 will have on its financial statements.

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

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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards and interpretations (continued)

New standards, amendments and interpretations issued but not yet 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

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 defines the accounting principles for risk reserves in line with the best practices of financial reporting and risk management. The standard encourages maintaining adequate risk reserves to safeguarding the interest of profit and loss stakeholders particularly against various risks including credit, market, equity investment risks, as well as, the rate of return risk including displaces commercial risk.

This is expected to provide better stability to the Islamic finance industry in line with the best practices. This standard does not mandatorily require maintaining risk reserves, however, it is applicable to any such reserves, by whichever name referred to by the institution, if they meet the definition of any of reserves covered by the standard.

This standard together with FAS 30 “Impairment, Credit Losses and Onerous Commitments” supersede the earlier FAS 11 “Provisions and Reserves” and shall be effective for the financial periods beginning on or after 1 January 2021 with earlier adoption permitted. Management has not early adopted FAS 35 and is currently assessing the impact on the Group’s financial statements.

4. FINANCIAL RISK MANAGEMENT

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

5. 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.

6. CASH AND BANK BALANCES

For the purpose of the condensed consolidated interim statement of cash flows, cash and cash equivalents comprise the following balances with original maturities of less than three months.

	30 September 2019 (Reviewed)	31 December 2018 (Audited)
Policyholders		
Cash on hand	370,552	300,855
Investment deposits (Islamic Banks) (1)	20,300,000	20,300,000
Call accounts (Islamic banks) (2)	4,789,372	11,438,394
Current accounts (Islamic banks) (3)	703,183	2,647,522
Total	26,163,107	34,686,771
Less: bank overdraft	(3,621,013)	-
Total (A)	22,542,094	34,686,771
Shareholders		
Cash on hand	16,117	23,256
Investment deposits matures in less than 90 days (Islamic Banks) (1)	-	3,000,000
Investment deposits (Islamic Banks) (1)	43,750,000	5,100,000
Call accounts (Islamic banks) (2)	16,233,282	11,523,821
Current accounts (Islamic banks) (3)	2,599,077	4,698,409
Total (B)	62,598,476	24,345,486
Total cash and bank balances (A+B)	85,140,570	59,032,257
Less: deposits with original maturity over ninety days	(64,050,000)	(25,400,000)
Total cash and cash equivalents	21,090,570	33,632,257

- (1) Investment deposits earn profit at rates ranging from 2.6% to 4% (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.

7. REINSURANCE CONTRACT ASSETS AND INSURANCE CONTRACT LIABILITIES

	30 September 2019 (Reviewed)		31 December 2018 (Audited)	
	Policyholders	Shareholders	Policyholders	Shareholders
Gross insurance contract liabilities				
Claims reported unsettled	190,177,427	747,289	156,010,216	338,321
Claims incurred but not reported*	11,606,204	-	11,606,204	-
Unearned contributions	144,516,872	-	108,184,598	-
Total	346,300,503	747,289	275,801,018	338,321
Reinsurers' share of insurance contract liabilities				
Claims reported unsettled	162,258,606	541,067	134,012,677	541,067
Unearned contributions	78,522,258	-	59,256,215	-
Total	240,780,864	541,067	193,268,892	541,067
Net insurance liabilities				
Claims reported unsettled	27,918,821	206,222	21,997,539	(202,746)
Claims incurred but not reported*	11,606,204	-	11,606,204	-
Unearned contributions	65,994,614	-	48,928,383	-
Total	105,519,639	206,222	82,532,126	(202,746)

7. REINSURANCE CONTRACT ASSETS AND INSURANCE CONTRACT LIABILITIES (CONTINUED)

*The assessment of claims incurred but not reported will be made by the management at the year-end.

8. INVESTMENTS AT FAIR VALUE THROUGH EQUITY

	30 September 2019 (Reviewed)		31 December 2018 (Audited)	
	Policyholders	Shareholders	Policyholders	Shareholders
Quoted investments (i)				
Local equity shares	19,652,278	87,078,415	17,199,564	84,563,848
Foreign equity shares	480,689	961,379	563,219	1,133,187
Total (1)	20,132,967	88,039,794	17,762,783	85,697,035
Unquoted investments (ii)				
Local equity shares	1,600,000	34,139,046	1,600,000	33,719,046
Foreign equity shares	3,316,805	3,165,836	4,228,656	3,131,044
Total (2)	4,916,805	37,304,882	5,828,656	36,850,090
Total investments at fair value through equity (1+2)	25,049,772	125,344,676	23,591,439	122,547,125

(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:

	30 September 2019 (Reviewed)	31 December 2018 (Audited)
Balance at January 1	146,138,564	259,306,441
Additions	25,667,949	97,512,180
Disposals	(17,085,273)	(183,154,718)
Impairment loss	(5,603,641)	(34,523,036)
Cumulative change in fair value	1,276,849	6,997,697
Balance at 30 September / December 31	150,394,448	146,138,564

8.1 Fair value reserve

Change in fair value reserve from investments at fair value through equity:

	30 September 2019 (Reviewed)		31 December 2018 (Audited)	
	Policyholders	Shareholders	Policyholders	Shareholders
Quoted investments				
At January 1	2,849,375	3,778,591	(1,889,000)	1,519,269
Net movement during the year	2,567,323	(1,290,474)	4,738,375	2,259,322
Balance at 30 September / December 31 (1)	5,416,698	2,488,117	2,849,375	3,778,591
Unquoted investments				
Balance at 30 September / December 31 (2)	-	(6,510,202)	-	(6,510,202)
Balance at 30 September / December 31 (1+2)	5,416,698	(4,022,085)	2,849,375	(2,731,611)

9. INVESTMENT PROPERTIES

	30 September 2019 (Reviewed)		31 December 2018 (Audited)	
	Policyholders	Shareholders	Policyholders	Shareholders
Cost:				
At 1 January	35,237,617	220,748,822	32,095,439	233,467,598
Additions during the period / year	-	-	3,142,178	-
Disposals during the period / year	-	-	-	(12,718,776)
At 30 September / 31 December	35,237,617	220,748,822	35,237,617	220,748,822
Accumulated Depreciation:				
At 1 January	2,946,919	18,414,784	1,976,419	10,696,916
Charge for the period / year	733,925	2,734,554	970,500	7,717,868
At 30 September / 31 December	3,680,844	21,149,338	2,946,919	18,414,784
Net book value at 30 September / 31 December	31,556,773	199,599,484	32,290,698	202,334,038

10. INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

Name of Associate	Principal Activity	Country of incorporation	30 September 2019 (Reviewed)	31 December 2018 (Audited)
Qatari Unified Bureau Insurance W.L.L.	Takaful Insurance	Qatar	25%	25%

Movements in investment in the associate are as follows:

	30 September 2019 (Reviewed)	31 December 2018 (Audited)
At 1 January	6,509,253	10,509,253
Dividends received during the period / year	-	(3,000,000)
Provision for impairment	-	(1,000,000)
At 30 September / 31 December	6,509,253	6,509,253

11. SHARE CAPITAL

	30 September 2019 (Reviewed)	31 December 2018 (Audited)
<i>Authorized, issued and paid up capital</i>		
255,279,024 ordinary shares with par value of QR 1 per share (*)	255,279,024	255,279,024

* Refer to note 15

12. RELATED PARTIES

(a) Related party transactions

These represent transactions 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 Company 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 were

	For the nine months period ended 30 September	
	2019	2018
	(Reviewed)	(Reviewed)
Premiums	<u>19,415,497</u>	<u>23,825,769</u>
Claims	<u>10,096,478</u>	<u>18,127,405</u>

(b) Related party balances

Receivables and payables from / to related parties included in the statement of financial position comprise of:

	30 September 2019	31 December 2018
	(Reviewed)	(Audited)
Receivable from related parties		
Major shareholders	114,000,000	144,000,000
Gulf Investments Group	<u>-</u>	<u>5,017,186</u>
Payable to a related party		
Gulf Investments Group	<u>-</u>	<u>4,258,386</u>

13. SEGMENT REPORTING

The following table presents its assets and liabilities information regarding the Group's operating segments for the nine months period ended 30 September 2019 / 30 September 2018 and year ended 31 December 2018 for policyholders' and shareholders':

For the nine months period ended 30 September 2019:

	<u>Underwriting</u>	<u>Investments</u>	<u>Real Estate</u>	<u>Unallocated</u>	<u>Total</u>
Net income	36,755,854	7,340,246	8,463,729	(26,099,266)	26,460,563
Total assets	381,644,888	178,357,708	231,910,542	252,213,198	1,044,126,336
Total liabilities	414,342,513	-	-	75,844,941	490,187,454

For the nine months period ended 30 September 2018 / year ended 31 December 2018:

	<u>Underwriting</u>	<u>Investments</u>	<u>Real Estate</u>	<u>Unallocated</u>	<u>Total</u>
Net income	42,626,638	7,145,885	4,189,129	(26,507,501)	27,454,151
Total assets	312,817,616	218,027,310	235,037,694	178,961,779	944,844,399
Total liabilities	339,488,212	-	3,083,189	63,307,580	405,878,981

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14. NET UNDERWRITING RESULTS (POLICYHOLDERS' AND SHAREHOLDERS')

**For the nine months period ended 30
September 2019
(Reviewed)**

	Marine & Aviation	Fire	General accident & Energy	Motor	Takaful & Medical	Total
Gross contributions	10,482,271	41,076,313	34,559,811	70,269,996	75,375,231	231,763,622
Retakaful share of gross contributions	(9,094,363)	(37,728,468)	(28,878,721)	(7,685,763)	(48,369,179)	(131,756,494)
Retained contributions	1,387,908	3,347,845	5,681,090	62,584,233	27,006,052	100,007,128
Movement in unearned contributions	252,627	(338,497)	603,466	(10,407,483)	(7,176,344)	(17,066,231)
Net retained contributions	1,640,535	3,009,348	6,284,556	52,176,750	19,829,708	82,940,897
Retakaful commission and other takaful income	1,267,044	5,694,237	5,623,765	2,082,048	3,114,827	17,781,921
Change in deferred commission	47,035	(1,217,974)	931,759	2,379,589	1,364,726	3,505,135
Total insurance revenue (1)	2,954,614	7,485,611	12,840,080	56,638,387	24,309,261	104,227,953
Gross claims paid	(686,523)	(17,134,870)	(18,090,357)	(37,387,667)	(27,606,091)	(100,905,508)
Retakaful share of claims paid	491,242	16,188,236	16,891,029	6,130,648	18,730,731	58,431,886
Net claims	(195,281)	(946,634)	(1,199,328)	(31,257,019)	(8,875,360)	(42,473,622)
Movement in outstanding claims	8,150	216,498	(230,829)	(5,340,154)	(983,915)	(6,330,250)
Commission and other takaful expenses	(454,562)	(1,980,158)	(2,177,518)	(8,395,059)	(5,660,930)	(18,668,227)
Net claims incurred (2)	(641,693)	(2,710,294)	(3,607,675)	(44,992,232)	(15,520,205)	(67,472,099)
Net surplus from insurance operations (1+2)	2,312,921	4,775,317	9,232,405	11,646,155	8,789,056	36,755,854

14. NET UNDERWRITING RESULTS (POLICYHOLDERS' AND SHAREHOLDERS') (CONTINUED)

For the nine months period ended 30 September 2018 (Reviewed)	Marine & Aviation	Fire	General accident & Energy	Motor	Takaful & Medical	Total
Gross contributions	8,441,312	33,463,132	42,583,941	62,158,014	67,923,873	214,570,272
Retakaful share of gross contributions	(7,330,855)	(30,269,444)	(37,257,524)	(7,764,651)	(47,708,898)	(130,331,372)
Retained contributions	1,110,457	3,193,688	5,326,417	54,393,363	20,214,975	84,238,900
Movement in unearned contributions	(101,680)	(210,870)	(86,418)	1,682,610	(4,709,147)	(3,425,505)
Net retained contributions	1,008,777	2,982,818	5,239,999	56,075,973	15,505,828	80,813,395
Retakaful commission and other takaful income	1,403,374	4,807,199	6,443,661	2,233,008	1,785,156	16,672,398
Change in deferred commission	473,697	(225,425)	(86,246)	557,797	428,363	1,148,186
Total insurance revenue (1)	2,885,848	7,564,592	11,597,414	58,866,778	17,719,347	98,633,979
Gross claims paid	(1,011,754)	(6,747,949)	(6,697,342)	(43,356,227)	(31,099,532)	(88,912,804)
Retakaful share of claims paid	830,305	6,202,828	5,911,166	8,968,965	26,086,303	47,999,567
Net claims	(181,449)	(545,121)	(786,176)	(34,387,262)	(5,013,229)	(40,913,237)
Movement in outstanding claims	(89,531)	(95,282)	160,122	906,947	156,459	1,038,715
Movement in Technical reserves	(13,868)	(14,293)	24,007	436,042	23,462	455,350
Commission and other takaful expenses	(576,221)	(1,254,367)	(1,664,403)	(7,007,356)	(6,085,822)	(16,588,169)
Net claims incurred (2)	(861,069)	(1,909,063)	(2,266,450)	(40,051,629)	(10,919,130)	(56,007,341)
Net surplus from insurance operations (1+2)	2,024,779	5,655,529	9,330,964	18,815,149	6,800,217	42,626,638

15. BASIC AND DILUTED EARNINGS PER SHARE

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

	For the three months period ended September		For the nine months period ended September	
	2019 (Reviewed)	2018 (Reviewed)	2019 (Reviewed)	2018 (Reviewed)
Profit attributable to shareholders	9,220,588	1,296,413	27,895,545	9,055,911
Weighted average number of ordinary share (*)	<u>255,279,024</u>	<u>255,279,024</u>	<u>255,279,024</u>	<u>255,279,024</u>
Basic earnings per share (QR)	<u>0.04</u>	<u>0.01</u>	<u>0.11</u>	<u>0.04</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 255,279,024. 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.

There were no potentially dilutive shares outstanding at any time during the period. Therefore, the diluted earnings per share are equal to the basic earnings per share.

16. 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 Group's Board of Directors.

The Wakala fee is provided to shareholders' at the rate of 20% of net retained contribution 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).

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

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.

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17 FAIR VALUE MEASUREMENT (CONTINUED)

Accounting classification and fair values (continued)

As at 30 September 2019 (reviewed):

	Fair value through equity	Carrying Value		Total carrying amount	Fair Value		
		Amortized cost			Level 1	Level 2	Level 3
Financial assets measured at fair value							
Policyholders							
Investments at fair value through equity	25,049,772	-	-	25,049,772	20,132,967	-	4,916,805
Financial assets not measured at fair value							
Bank balances and time deposits	-	26,163,107	-	26,163,107			
Takaful balances receivable	-	62,486,491	-	62,486,491			
Retakaful balances receivable	-	40,931,147	-	40,931,147			
Retakaful share of gross outstanding claims	-	162,258,606	-	162,258,606			
Other receivables and prepayments	-	30,644,820	-	30,644,820			
Financial liabilities not measured at fair value							
Takaful contract liabilities	-	201,783,631	-	201,783,631			
Accounts payable and Other liabilities	-	33,610,865	-	33,610,865			
Retakaful and takaful balances payable	-	49,597,008	-	49,597,008			
Dividends for policyholders	-	5,901,431	-	5,901,431			
Financial assets measured at fair value							
Shareholders							
Investments at fair value through equity	125,344,676	-	-	125,344,676	88,039,794	-	37,304,882
Financial assets not measured at fair value							
Bank balances and time deposits	-	62,598,476	-	62,598,476			
Takaful balances receivable	-	9,368	-	9,368			
Retakaful balances receivable	-	196,211	-	196,211			
Retakaful share of gross outstanding claims	-	541,067	-	541,067			
Other receivables and prepayments	-	146,587,303	-	146,587,303			
Financial liabilities not measured at fair value							
Takaful contract liabilities	-	747,289	-	747,289			
Accounts payable and Other liabilities	-	33,913,354	-	33,913,354			
Retakaful and takaful balances payable	-	1,832,204	-	1,832,204			
Employees' end of service benefits	-	4,699,709	-	4,699,709			
	150,394,448	864,502,087		1,014,896,535			

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As at 31 December 2018 (Audited):

	Carrying Value			
	Fair value through equity	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	23,591,439	-	23,591,439	5,828,656
<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	
Retakaful share of gross outstanding claims	-	134,012,677	134,012,677	
Other receivables and prepayments	-	28,909,322	28,909,322	
<i>Financial liabilities not measured at fair value</i>				
Takaful contract liabilities	-	167,616,420	167,616,420	
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	122,547,125	-	122,547,125	36,850,090
<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	-	165,716,693	165,716,693	
<i>Financial liabilities not measured at fair value</i>				
Takaful contract liabilities	-	338,321	338,321	
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	
	146,138,564	744,981,291	891,119,855	

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17. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

As at 30 September 2019, the Group carried certain unquoted equity investments at cost. The assessment of fair value of these investments will be made by the Group at year end.

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the nine-month period ended 30 September 2019.

The following table shows the valuation technique using the Level 2 and level 3 fair value at 30 September 2019 and 31 December 2018 for the financial instruments measured at fair value in the statement of financial position, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Unquoted equity instruments	Estimated internally using adjusted net asset value method.	Not applicable.	Not applicable.

18. COMMITMENTS AND CONTINGENCIES

Guarantees

At September 30, 2019, the Group had contingent liabilities in respect of tender guarantees and other guarantees from which it is anticipated that no material liabilities will arise, amounting to QR 1,890,965 (31 December 2018: QR 2,760,000).

Legal claims

The Group, in common with the significant majority of insurers, is subject to litigation in the normal course of its business. As of the end of the reporting period, the result of pending or threatened legal proceeding is unpredictable.

19. RESTATEMENT OF PRIOR PERIOD BALANCES

The retained earnings of the Group as at 1 January 2018 was restated in the annual consolidated financial statements for the year ended 31 December 2018. Accordingly, these financial statements should be read in conjunction with note 36 of the annual audited consolidated financial statements.