

Al Khaleej Takaful Insurance Company Q.P.S.C.
Condensed Consolidated Interim Financial Statements
30 September 2021

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

**Condensed Consolidated Interim Financial Statements
30 September 2021**

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

To the Shareholders 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") as at and for the nine months ended 30 September 2021 which include:

- The condensed consolidated statement of financial position as at 30 September 2021,
- The condensed consolidated statement of policyholders' revenues and expenses for the three and nine months period ended 30 September 2021,
- The condensed consolidated statement of policyholders' surplus for the nine months period ended 30 September 2021,
- The condensed consolidated income statement for the three and nine months period ended 30 September 2021,
- The condensed consolidated statement of changes in shareholders' equity for the nine months period ended 30 September 2021,
- The condensed consolidated statement of cash flows for the nine months period ended 30 September 2021,
- 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 International Standards on Auditing, 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 2021 are not prepared, in all material respects, in accordance with Financial Accounting Standards issued by AAOIFI.

Other matter

The condensed consolidated interim financial statement of the Group for the nine months period ended September 30, 2020 and the annual consolidated financial statements for the year ended December 31, 2020 were reviewed and audited by another auditor, whose review report dated October 29, 2020 and audit report dated March 28, 2021 expressed an unmodified conclusion and opinion respectively.

20 October 2021
Doha
State of Qatar

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 2021

In Qatari Riyals

| | Notes | September 30, 2021 (Reviewed) | December 31, 2020 (Audited) |
|--|-------|-------------------------------------|-----------------------------------|
| Policyholders' assets | | | |
| Cash and bank balances | 6 | 73,012,582 | 59,095,275 |
| Investments at fair value through equity | 8 (a) | 20,749,056 | 17,228,094 |
| Investments at fair value through income statement | 8 (b) | - | 1,251,975 |
| Takaful balances receivable | | 62,578,766 | 57,783,903 |
| Retakaful balances receivable | | 46,096,550 | 35,807,642 |
| Retakaful share of unearned contributions and mathematical reserves | 7 | 61,907,663 | 60,808,289 |
| Retakaful share of gross outstanding claims | 7 | 91,085,173 | 121,705,909 |
| Retakaful share of claims incurred but not reported and other technical reserves | 7 | 29,060,684 | 31,641,699 |
| Deferred commission | 7 | 11,781,434 | 8,643,852 |
| Other receivables and prepayments | | 12,532,413 | 11,199,099 |
| Investment properties | 10 | 29,788,515 | 30,442,893 |
| Total policyholders' assets | | 438,592,836 | 435,608,630 |
| Shareholders' assets | | | |
| Cash and bank balances | 6 | 68,358,767 | 135,538,213 |
| Time deposits | 6 | 100,100,000 | 100,000 |
| Investments at fair value through equity | 8 (a) | 78,111,142 | 80,089,475 |
| Investments at fair value through income statement | 8 (b) | 7,300,000 | 7,300,000 |
| Assets held for sale | | 21,454,007 | 21,454,007 |
| Takaful balances receivable | | 58,240 | 58,258 |
| Retakaful balances receivable | | 136,808 | 136,808 |
| Retakaful share of gross outstanding claims | 7 | 398,721 | 398,721 |
| Other receivables and prepayments | 9 | 6,173,775 | 53,510,984 |
| Investment properties | 10 | 233,376,535 | 195,031,343 |
| Fixed assets | 11 | 11,005,609 | 11,420,719 |
| Property under development | | - | 84,920 |
| Investments in associate | 12 | 6,509,253 | 6,509,253 |
| Total shareholders' assets | | 532,982,857 | 511,632,701 |
| Total assets | | 971,575,693 | 947,241,331 |

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

The notes from pages 10 to 30 form an integral part of the condensed consolidated interim financial statements.

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

Condensed consolidated statement of financial position (continued)

As at 30 September 2021

In Qatari Riyals

| | Notes | September 30, 2021 (Reviewed) | December 31, 2020 (Audited) |
|--|-------|-------------------------------------|-----------------------------------|
| Policyholder's equity | | | |
| Retained surplus | | 32,928,438 | 28,663,298 |
| Fair value reserve | 16 | 7,031,035 | 4,256,094 |
| Total policyholders' equity | | 39,959,473 | 32,919,392 |
| Policyholder's liabilities | | | |
| Unearned contributions and mathematical reserves | 7 | 136,336,886 | 122,864,974 |
| Gross outstanding claims | 7 | 124,829,099 | 152,566,954 |
| Claims incurred but not reported and other technical reserves | 7 | 46,143,235 | 48,946,753 |
| Deferred commission income | 7 | 10,224,799 | 8,478,710 |
| Accounts payable and other liabilities | | 21,806,592 | 16,701,529 |
| Retakaful and takaful balances payable | | 53,502,948 | 47,350,393 |
| Distributable surplus | | 5,789,804 | 5,779,925 |
| Total policyholders' liabilities | | 398,633,363 | 402,689,238 |
| Total policyholders' equity and liabilities | | 438,592,836 | 435,608,630 |
| Shareholders' liabilities | | | |
| Gross outstanding claims | 7 | 400,000 | 400,000 |
| Accounts payable and other liabilities | | 17,294,127 | 27,593,501 |
| Retakaful and takaful balances payable | | 1,433,177 | 1,433,427 |
| Provision for income tax | 18 | 12,491 | 22,522 |
| Employees' end of service benefits | | 5,459,484 | 5,064,498 |
| Total shareholders' liabilities | | 24,599,279 | 34,513,948 |
| Shareholders' equity | | | |
| Share capital | 13 | 255,279,020 | 255,279,020 |
| Legal reserve | 14 | 241,552,033 | 241,552,033 |
| General reserve | 15 | 75,477 | 75,477 |
| Fair value reserve | 16 | (5,390,449) | (6,272,956) |
| Retained earnings | | 16,867,497 | (13,514,821) |
| Total shareholders' equity | | 508,383,578 | 477,118,753 |
| Total shareholders' liabilities and equity | | 532,982,857 | 511,632,701 |
| Total liabilities, surplus of policyholders' and shareholders' equity | | 971,575,693 | 947,241,331 |

These condensed consolidated interim financial information were approved by the Company's Board of Directors on 20 October 2021 and signed on their behalf by:


Sheikh Abdullah Bin Ahmed Abdullah Al Thani
Chairman


Abdulla Ali Al-Assiri
Chief Executive Officer

The notes from pages 10 to 30 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 period ended 30 September 2021

In Qatari Riyals

| | For the three months period ended 30 September | | For the nine months period ended 30 September | |
|---|---|---------------------|--|---------------------|
| | 2021 (Reviewed) | 2020 (Reviewed) | 2021 (Reviewed) | 2020 (Reviewed) |
| Takaful revenues | | | | |
| Gross contributions | 70,089,588 | 68,773,235 | 232,801,714 | 232,057,757 |
| Retakaful share of gross contributions | (35,658,393) | (39,346,127) | (121,106,225) | (125,532,667) |
| Net retained contributions | 34,431,195 | 29,427,108 | 111,695,489 | 106,525,090 |
| Movement in unearned contributions and mathematical reserves | (412,383) | 3,545,456 | (12,372,538) | (15,112,463) |
| Net earned contributions | 34,018,812 | 32,972,564 | 99,322,951 | 91,412,627 |
| Retakaful commission and other takaful income | 4,191,533 | 4,518,277 | 21,249,708 | 15,572,493 |
| Change in deferred commission | 1,175,393 | (509,932) | 1,391,493 | (923,367) |
| Total takaful revenue | 39,385,738 | 36,980,909 | 121,964,152 | 106,061,753 |
| Takaful expenses | | | | |
| Gross claims paid | (32,790,030) | (27,184,923) | (86,162,659) | (111,372,248) |
| Retakaful share of claims paid | 14,742,880 | 12,796,569 | 40,778,440 | 70,662,522 |
| Net claims paid | (18,047,150) | (14,388,354) | (45,384,219) | (40,709,726) |
| Movement in outstanding claims | 1,591,159 | 2,046,034 | (2,882,881) | (2,494,632) |
| Movement in claims incurred but not reported and other technical reserves | 463,000 | (208,830) | 222,503 | (4,118,925) |
| Commission and other takaful expenses | (8,320,183) | (5,801,078) | (22,540,677) | (18,232,986) |
| Total takaful expenses | (24,313,174) | (18,352,228) | (70,585,274) | (65,556,269) |
| Net surplus from takaful operations | 15,072,564 | 18,628,681 | 51,378,878 | 40,505,484 |
| Investment (loss) / income of takaful policy holders | (22,734) | 83,414 | (25,829) | 1,827,351 |
| Income from deposits | 41,557 | 48,375 | 261,132 | 253,094 |
| Dividend income | (6,595) | 63,916 | 910,143 | 1,284,504 |
| Net rental income / (expense) | - | (232,258) | - | 847,742 |
| Other income | - | - | 13,151 | - |
| Total surplus | 15,084,792 | 18,592,128 | 52,537,475 | 44,718,175 |
| Other expenses | | | | |
| Wakala fees | (14,284,060) | (9,045,962) | (44,423,519) | (33,930,119) |
| Depreciation | (218,126) | (219,918) | (654,378) | (654,975) |
| Other expenses | (873,840) | (822,409) | (2,383,415) | (2,327,784) |
| Mudareb (expenses) / reversal | (8,565) | 25,587 | (811,023) | (2,948,884) |
| Total other expenses | (15,384,591) | (10,062,702) | (48,272,335) | (39,861,762) |
| (Deficit) / Surplus of revenues over expenses | (299,799) | 8,529,426 | 4,265,140 | 4,856,413 |

The notes from pages 10 to 30 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 period ended 30 September 2021

In Qatari Riyals

| | For the nine months period ended 30 September | |
|--|--|-------------------|
| | 2021 | 2020 |
| | (Reviewed) | (Reviewed) |
| Retained surplus balance at beginning of the period | 28,663,298 | 16,713,452 |
| Surplus for the period | 4,265,140 | 4,856,413 |
| Retained surplus balance at end of the period | 32,928,438 | 21,569,865 |



The notes from pages 10 to 30 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 2021

In Qatari Riyals

| Notes | For the three months period ended 30 September | | For the nine months period ended 30 September | |
|--|---|--------------------|--|---------------------|
| | 2021 (Reviewed) | 2020 (Reviewed) | 2021 (Reviewed) | 2020 (Reviewed) |
| Shareholders' revenues and expenses | | | | |
| Claims paid | 5,200 | - | 6,240 | - |
| Re-insurance share of claims paid | - | - | - | - |
| Net claims paid | 5,200 | - | 6,240 | - |
| Movement in outstanding claims | - | 457 | - | 204,941 |
| Total insurance income | 5,200 | 457 | 6,240 | 204,941 |
| Surplus from insurance operations | 5,200 | 457 | 6,240 | 204,941 |
| Investments and other income | | | | |
| Wakala income | 14,284,060 | 9,045,962 | 44,423,519 | 33,930,119 |
| Mudarib income / (reversal) | 8,565 | (25,587) | 811,023 | 2,948,884 |
| Income from deposits | 646,195 | 56,308 | 910,310 | 214,440 |
| Dividend income | 127,634 | 203,262 | 1,974,265 | 5,454,595 |
| Net realized gain on sale of investment at fair value through equity | - | 2,596,738 | 12,448,219 | 2,930,565 |
| Gain on disposal of fixed assets | - | 15,541 | - | 307,365 |
| Net rental income | 2,775,559 | 2,207,860 | 6,214,913 | 7,120,553 |
| Other income | 296,668 | 1,600 | 907,107 | 7,922 |
| Total investment and other income | 18,138,681 | 14,101,684 | 67,689,356 | 52,914,443 |
| Expenses | | | | |
| General and administrative expenses | 17 (6,834,607) | (5,599,189) | (20,816,092) | (20,891,413) |
| Depreciation | (1,190,454) | (1,144,925) | (3,733,235) | (3,455,410) |
| Total expenses | (8,025,061) | (6,744,114) | (24,549,327) | (24,346,823) |
| Net income | 10,118,820 | 7,358,027 | 43,146,269 | 28,772,561 |
| Basic and diluted earnings per share (QR per share) | 21 0.04 | 0.03 | 0.17 | 0.11 |



The notes from pages 10 to 30 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 2021

In Qatari Riyals

| | Share Capital QR. | Legal reserve QR. | General reserve QR. | Fair value reserve QR. | (Accumulated loss) / Retained earnings QR. | Total QR. |
|--|-------------------------|-------------------------|---------------------------|------------------------------|--|--------------------|
| Balance as at 1 January 2021 (Audited) | 255,279,020 | 241,552,033 | 75,477 | (6,272,956) | (13,514,821) | 477,118,753 |
| Net income for the period | - | - | - | - | 43,146,269 | 43,146,269 |
| Movement in fair value reserve | - | - | - | 882,507 | - | 882,507 |
| Dividends paid | - | - | - | - | (12,763,951) | (12,763,951) |
| Balance as at end of 30 September 2021 (Reviewed) | 255,279,020 | 241,552,033 | 75,477 | (5,390,449) | 16,867,497 | 508,383,578 |
| Balance at 1 January 2020 (Audited) | 255,279,024 | 237,935,418 | 75,477 | (1,493,772) | 45,737,057 | 537,533,204 |
| Net income for the period | - | - | - | - | 28,772,561 | 28,772,561 |
| Movement in fair value reserve | - | - | - | (7,260,016) | - | (7,260,016) |
| Dividends paid | - | - | - | - | (12,763,951) | (12,763,951) |
| Balance as at end of 30 September 2020 (Reviewed) | 255,279,024 | 237,935,418 | 75,477 | (8,753,788) | 61,745,667 | 546,281,798 |

The notes from pages 10 to 30 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 2021

In Qatari Riyals

| | Note | For the nine months period ended 30 September | |
|--|------|---|---------------------|
| | | 2021 (Reviewed) | 2020 (Reviewed) |
| Cash flows from operating activities | | | |
| Net income for the period | | 43,146,269 | 28,772,561 |
| Policyholders' surplus for the period | | 4,265,140 | 4,856,413 |
| | | <u>47,411,409</u> | <u>33,628,974</u> |
| <i>Adjustments for :</i> | | | |
| Depreciation of fixed assets and investment properties | | 4,387,613 | 4,110,385 |
| Income from deposits | | (1,171,442) | (467,534) |
| Dividend income | | (2,884,408) | (6,739,099) |
| Rental income | | (6,214,913) | (7,968,295) |
| Write off of property under development | | 84,920 | 171,900 |
| Gain on sale of fixed assets | | - | (307,365) |
| Net realized gain on sale of investment at fair value through equity | | (12,422,390) | (4,757,916) |
| Provision for employees' end of service benefits | | 410,806 | 304,924 |
| Operating profit before working capital changes | | 29,601,595 | 17,975,974 |
| <i>Changes in:</i> | | | |
| Takaful balances receivable | | (4,794,845) | 808,901 |
| Retakaful balances receivable | | (10,288,908) | (9,786,972) |
| Retakaful share of unearned contributions | | (1,099,374) | (9,446,195) |
| Retakaful share of outstanding claims | | 30,620,736 | 25,112,012 |
| Deferred commission | | (3,137,582) | (802,402) |
| Other receivable and prepayments | | 6,003,895 | 11,924,674 |
| Unearned contributions and mathematical reserves | | 13,471,912 | 24,033,248 |
| Gross outstanding claims | | (27,737,855) | (22,822,323) |
| Claims incurred but not reported and other technical reserves | | (222,503) | 4,118,930 |
| Deferred commission income | | 1,746,089 | 1,725,769 |
| Accounts payable and other liabilities | | (6,030,004) | (2,585,168) |
| Retakaful balances payable | | 6,152,305 | 2,601,380 |
| Cash generated from operating activities | | 34,285,461 | 42,857,828 |
| Employees' end of service benefits paid | | (15,820) | (207,388) |
| Net cash generated from operating activities | | 34,269,641 | 42,650,440 |
| Cash flows from investing activities | | | |
| Additions of investment at fair value through equity | | (60,470,099) | (89,245,730) |
| Proceeds from disposal of investment at fair value through equity | | 75,007,308 | 177,300,614 |
| Additions of investments at fair value through income Statement | | - | (3,650,000) |
| Net proceeds from redemption of investments at fair value through income statement | | 1,251,975 | 1,155,446 |
| Acquisition of fixed assets | | (1,371,115) | (2,530,980) |
| Proceeds from disposal of fixed assets | | - | 447,400 |
| Income from deposits | | 1,171,442 | 467,534 |
| Dividends income received | | 2,884,408 | 6,739,099 |
| Rental income | | 6,214,913 | 7,968,295 |
| Net movement in term deposits | | (100,000,000) | 7,300,000 |
| Acquisition of investment properties | | (292,202) | - |
| Net cash (used in) / generated from investing activities | | (75,603,370) | 105,951,678 |
| Cash flows from financing activities | | | |
| Dividends paid to shareholders | | (11,938,289) | (12,763,951) |
| Surplus distributed to policyholders | | 9,879 | (39,178) |
| Net cash used in financing activities | | (11,928,410) | (12,803,129) |
| Net (decrease) / increase in cash and cash equivalents | | (53,262,139) | 135,798,989 |
| Cash and cash equivalents at 1 January | | 194,633,488 | 60,328,279 |
| Cash and cash equivalents at 30 September | 6 | 141,371,349 | 196,127,268 |

The notes from pages 10 to 30 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 2021

1. LEGAL STATUS AND ACTIVITIES

Al Khaleej Takaful Insurance Company Q.P.S.C. (the "Company") 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'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 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 20 October 2021.

2. BASIS OF PREPARATION

a) Statement of compliance and preparation

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"). In line with 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 have been prepared under the historical cost basis except for certain financial instruments which are measured at fair value, in accordance with the principal accounting policies as set out below.

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

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2020. In addition, results for the nine-months period ended September 30, 2021 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2021.

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 2021**

2. BASIS OF PREPARATION (CONTINUED)

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 recognized in the period in which the estimate is revised and in any future periods affected.

In preparing these condensed interim financial information, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2020, except for the effects of adoption of FAS 32 as described in note 3 in significant accounting policies.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except as noted below:

During the period, the Group applied the following standard in preparation of these condensed consolidated interim financial statements. The adoption of the below standard did not result in changes to previously reported net results or equity of the Group, but they may result in additional disclosures at year end:

a) FAS 32 "Ijarah"

AAOIFI has issued FAS 32 "Ijarah" in 2020. This standard supersedes the existing FAS 8 "Ijarah and Ijarah Muntahia Bittamleek". The objective of this standard is set out principles for the classification, recognition, measurement, presentation and disclosure for Ijarah (Ijarah asset, including different forms of Ijarah Muntahia Bittamleek) transactions entered into by the Islamic Financial Institutions as a lessor and lessee.

This new standard aims to address the issues faced by the Islamic finance industry in relation to accounting and financial reporting as well as to improve the existing treatments in line with the global practices. This standard shall be effective for the financial periods beginning on or after 1 January 2021 with early adoption permitted.

At inception of a contract, the Group assesses whether a contract is, or contains, an Ijarah based on if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and an Ijarah liability at the Ijarah commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the Ijarah liability adjusted for any prepaid and accrued Ijarah expenses. The right-of-use asset is then carried at fair value in line with its underlying asset. Any fair value adjustments are recognized in directly in the income statement.

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 2021**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) FAS 32 "Ijarah" (continued)

The Ijarah liability is initially recognized net of (i) gross amount of total Ijarah rentals payable for the Ijarah term and (ii) related deferred Ijarah cost, being the difference between the gross Ijarah liability and the prime cost of right-of-use asset. Subsequently, net Ijarah liability is adjusted for the Ijarah payments made and amortization of deferred Ijarah cost.

Deferred Ijarah cost is amortized over the Ijarah term based on effective rate of return method to income statement within other operating and administrative expenses.

The adoption of the standard did not result in changes to previously reported net profit or equity of the Group and has no effect on the condensed consolidated interim financial statements, however, may result in additional disclosures at year end.

b) FAS 35 Risk Reserves

AAOIFI has issued FAS 35 "Risk Reserves" in 2019. 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 Group is currently evaluating the impact of this standard.

c) New standards, amendments and interpretations issued but not yet effective

The Group has not yet applied the following new and revised FASs that have been issued but are not yet effective:

FAS 38 Wa'ad, Khiyar and Tahawwut

AAOIFI has issued FAS 38 "Wa'ad, Khiyar and Tahawwut" in 2020. The objective of this standard is to prescribe the accounting and reporting principles for recognition, measurement and disclosure in relation to Shari'ah compliant Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for Islamic financial institutions. Wa'ad and Khiyar are used by institutions in various forms. Some are ancillary to other transactions, whereas a few are used as primary products. This standard intends to provide accounting principles for both of these, as well as the Tahawwut transactions which are normally based on Wa'ad or Khiyar, or a series or combination thereof. This standard shall be effective for the financial periods beginning on or after 1 January 2022 with early adoption permitted. The Group is currently evaluating the impact of this standard.

4. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements as at and for the year ended December 31, 2020.

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.

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

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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.

Cash and cash equivalents at the end of the reporting period as shown in the condensed consolidated statement of cash flows can be reconciled to the related items in the condensed consolidated statement of financial position as follows:

| | 30 September 2021 | 31 December 2020 |
|---|------------------------------|---------------------|
| | (Reviewed) | (Audited) |
| Policyholders | | |
| Cash on hand | 589,219 | 222,591 |
| Call accounts (Islamic banks) (2) | 60,952,332 | 53,632,141 |
| Current accounts (Islamic banks) (3) | 11,471,031 | 5,240,543 |
| Total | 73,012,582 | 59,095,275 |
| Shareholders | | |
| Cash on hand | 37,750 | 16,976 |
| Investment deposits (Islamic banks) (1) | 100,100,000 | 100,000 |
| Call accounts (Islamic banks) (2) | 64,163,516 | 93,728,195 |
| Current accounts (Islamic banks) (3) | 4,157,501 | 41,793,042 |
| Total | 168,458,767 | 135,638,213 |
| Total cash and bank balances | 241,471,349 | 194,733,488 |
| Less: deposits with original maturity of more than three months | (100,100,000) | (100,000) |
| Total cash and cash equivalents | 141,371,349 | 194,633,488 |

- (1) Investment deposits earn profit at rates ranging from 0.9% to 1.2% (31 December 2020: 0.9% to 1.2%).
- (2) Call accounts earn profit at rates ranging from 0.25% to 0.75% (31 December 2020: 0.25% to 0.75%).
- (3) Included in current accounts non-Islamic bank accounts used for the policyholders contributions paid by credit cards.

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7. REINSURANCE/RETAKAFUL CONTRACT ASSETS AND INSURANCE/TAKAFUL CONTRACT LIABILITIES

| | 30 September 2021 | | 31 December 2020 | |
|---|--------------------|----------------|--------------------|----------------|
| | (Reviewed) | | (Audited) | |
| | Policyholders | Shareholders | Policyholders | Shareholders |
| Gross insurance/takaful contract liabilities | | | | |
| Claims reported unsettled | 124,829,099 | 400,000 | 152,566,954 | 400,000 |
| Claims incurred but not reported and other technical reserves | 46,143,235 | - | 48,946,753 | - |
| Unearned contributions and mathematical reserves | 136,336,886 | - | 122,864,974 | - |
| Deferred commissions | 10,224,799 | - | 8,478,710 | - |
| Total | 317,534,019 | 400,000 | 332,857,391 | 400,000 |
| Reinsurers'/retakaful share of insurance/takaful liabilities | | | | |
| Claims reported unsettled | 91,085,173 | 398,721 | 121,705,909 | 398,721 |
| Claims incurred but not reported and other technical reserves | 29,060,684 | - | 31,641,699 | - |
| Unearned contributions and mathematical reserves | 61,907,663 | - | 60,808,289 | - |
| Deferred commissions | 11,781,434 | - | 8,643,852 | - |
| Total | 193,834,954 | 398,721 | 222,799,749 | 398,721 |
| Net insurance/takaful liabilities | | | | |
| Claims reported unsettled | 33,743,926 | 1,279 | 30,861,045 | 1,279 |
| Claims incurred but not reported and other technical reserves | 17,082,551 | - | 17,305,054 | - |
| Unearned contributions and mathematical reserves | 74,429,223 | - | 62,056,685 | - |
| Deferred commissions | (1,556,634) | - | (165,142) | - |
| Total | 123,699,066 | 1,279 | 110,057,642 | 1,279 |

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7. REINSURANCE/RETAKAFUL CONTRACT ASSETS AND INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

7.1 Movement in Reinsurance/Retakaful Contract Assets and Insurance/Takaful Contract Liabilities

30 September 2021

(Reviewed)

| | Policyholders | | Shareholders | | Net |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|--------------|
| | Gross insurance liabilities | Reinsurance contract assets | Gross insurance liabilities | Reinsurance contract assets | |
| At January 1 | | | | | |
| Reported claims | 152,566,954 | 121,705,909 | 400,000 | 398,721 | 1,279 |
| Unearned contributions and mathematical reserves | 122,864,974 | 60,808,289 | - | - | - |
| IBNR and other technical reserves | 48,946,753 | 31,641,699 | - | - | - |
| Total | 324,378,681 | 214,155,897 | 400,000 | 398,721 | 1,279 |
| <i>Movement during the period / year</i> | | | | | |
| Reported claims | (27,737,855) | (30,620,736) | - | - | - |
| Unearned contributions and mathematical reserves | 13,471,912 | 1,099,374 | - | - | - |
| IBNR and other technical reserves | (2,803,518) | (2,581,015) | - | - | - |
| Total | (17,069,461) | (32,102,377) | - | - | - |
| Balances at September 30, 2021 | | | | | |
| Reported claims | 124,829,099 | 91,085,173 | 400,000 | 398,721 | 1,279 |
| Unearned contributions and mathematical reserves | 136,336,886 | 61,907,663 | - | - | - |
| IBNR and other technical reserves | 46,143,235 | 29,060,684 | - | - | - |
| Total | 307,309,220 | 182,053,520 | 400,000 | 398,721 | 1,279 |

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7. REINSURANCE/RETAKAFUL CONTRACT ASSETS AND INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

7.1 Movement in Reinsurance/Retakaful Contract Assets and Insurance/Takaful Contract Liabilities (Continued)

| | 31 December 2020 (Audited) | | | |
|--|-------------------------------|-----------------------------|--------------|-----------|
| | Policyholders | | Shareholders | |
| | Gross insurance liabilities | Reinsurance contract assets | Net | Net |
| At January 1 | | | | |
| Reported claims | 185,710,379 | 155,441,577 | 30,268,802 | 206,222 |
| Unearned contributions and mathematical reserves | 109,059,293 | 54,644,739 | 54,414,554 | - |
| IBNR and other technical reserves | 45,811,235 | 32,411,649 | 13,399,586 | - |
| Total | 340,580,907 | 242,497,965 | 98,082,942 | 206,222 |
| <i>Movement during the period / year</i> | | | | |
| Reported claims | (33,143,425) | (33,735,668) | 592,243 | (204,943) |
| Unearned contributions and mathematical reserves | 13,805,681 | 6,163,550 | 7,642,131 | - |
| IBNR and other technical reserves | 3,135,516 | (769,950) | 3,905,468 | - |
| Total | (16,202,226) | (28,342,068) | 12,139,842 | (204,943) |
| Balances at December 31, 2020 | | | | |
| Reported claims | 152,566,954 | 121,705,909 | 30,861,045 | 1,279 |
| Unearned contributions and mathematical reserves | 122,864,974 | 60,808,289 | 62,056,685 | - |
| IBNR and other technical reserves | 48,946,753 | 31,641,699 | 17,305,054 | - |
| Total | 324,378,681 | 214,155,897 | 110,222,784 | 1,279 |

8. FINANCIAL INVESTMENTS

A. INVESTMENTS AT FAIR VALUE THROUGH EQUITY

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

| | 30 September 2021 | | 31 December 2020 | |
|---|-------------------|-------------------|-------------------|-------------------|
| | (Reviewed) | | (Audited) | |
| | Policyholders | Shareholders | Policyholders | Shareholders |
| Quoted investments (i) | | | | |
| Local equity shares* | 18,536,552 | 46,948,061 | 15,135,541 | 48,765,985 |
| Foreign equity shares | 599,350 | 1,198,700 | 467,664 | 935,330 |
| Total (1) | 19,135,902 | 48,146,761 | 15,603,205 | 49,701,315 |
| Unquoted investments (ii) | | | | |
| Local equity shares | 1,494,894 | 29,927,981 | 1,494,894 | 30,351,760 |
| Foreign equity shares | 118,260 | 36,400 | 129,995 | 36,400 |
| Total (2) | 1,613,154 | 29,964,381 | 1,624,889 | 30,388,160 |
| Total investments at fair value through equity (1+2) | 20,749,056 | 78,111,142 | 17,228,094 | 80,089,475 |

- (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.

* Investments in equity includes shareholders quoted investment amounting to QR. 2,610,000 that is frozen and therefore not immediately disposable.

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

| | 30 September 2021 | | 31 December 2020 | |
|-----------------------|-------------------|-------------------|-------------------|-------------------|
| | (Reviewed) | | (Audited) | |
| | Policyholders | Shareholders | Policyholders | Shareholders |
| | QR. | QR. | QR. | QR. |
| Balance at January 1 | 17,228,094 | 80,089,475 | 21,899,077 | 157,535,039 |
| Additions | 1,365,263 | 59,104,836 | 3,809,282 | 114,563,831 |
| Disposals | (619,242) | (61,965,676) | (6,788,177) | (187,230,211) |
| Changes in fair value | 2,774,941 | 882,507 | (1,692,088) | (4,779,184) |
| Balance at end | 20,749,056 | 78,111,142 | 17,228,094 | 80,089,475 |

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8. FINANCIAL INVESTMENTS (CONTINUED)

B. INVESTMENTS AT FAIR VALUE THROUGH INCOME STATEMENT

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

| | 30 September 2021 (Reviewed) | | 31 December 2020 (Audited) | |
|-----------------|---------------------------------|--------------|-------------------------------|--------------|
| | Policyholders | Shareholders | Policyholders | Shareholders |
| Investments (i) | - | 7,300,000 | 1,251,975 | 7,300,000 |

(i) This constitutes an investment in foreign sukuk and investment funds managed by Q-Invest.

| | 30 September 2021 (Reviewed) | | 31 December 2020 (Audited) | |
|----------------------|---------------------------------|--------------|-------------------------------|--------------|
| | Policyholders | Shareholders | Policyholders | Shareholders |
| Balance at January 1 | 1,251,975 | 7,300,000 | 2,806,128 | 3,650,000 |
| Additions | - | - | - | 3,650,000 |
| Redemption | (1,251,975) | - | (1,554,153) | - |
| Balance at end | - | 7,300,000 | 1,251,975 | 7,300,000 |

9. OTHER RECEIVABLES AND PREPAYMENTS

Included in the shareholders other receivables is an amount of QR 76 million at September 30, 2021 (December 31, 2020: QR 114 million) which is a receivable from the former chief executive officer of the Group due to sale of certain investments during the year 2018 for a total consideration of QR 146 million. During the year 2019, the Group has collected an amount of QR 30 million as per the initial agreed payment schedule. An impairment loss of QR 76 million was recorded in 2020. As a result of the current negotiations, management of the Group has recovered the remaining balance of QR 40 million through transfer of an investment property to the Group during the year 2021.

10. INVESTMENT PROPERTIES

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 2020 / 31 December 2020 / 30 September 2021 | 17,352,540 | 17,885,077 | 35,237,617 |
| Accumulated Depreciation: | | | |
| Balance at 1 January 2020 | - | 3,919,830 | 3,919,830 |
| Depreciation for the year | - | 874,894 | 874,894 |
| Balance at 31 December 2020 | - | 4,794,724 | 4,794,724 |
| Depreciation for the period | - | 654,378 | 654,378 |
| Balance at 30 September 2021 | - | 5,449,102 | 5,449,102 |
| Carrying amounts | | | |
| 31 December 2020 (Audited) | 17,352,540 | 13,090,353 | 30,442,893 |
| 30 September 2021 (Reviewed) | 17,352,540 | 12,435,975 | 29,788,515 |

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10. INVESTMENT PROPERTIES (CONTINUED)

| b) Shareholders | Land | Buildings | Total |
|--|--------------------|-------------------|--------------------|
| Cost: | | | |
| Balance at 1 January 2020 / 31 December 2020 | 147,701,028 | 73,047,794 | 220,748,822 |
| Additions during the period (2) | 40,292,202 | - | 40,292,202 |
| Transfer from fixed assets (1) | 450,000 | 1,238,500 | 1,688,500 |
| Balance at 30 September 2021 | 188,443,230 | 74,286,294 | 262,729,524 |
| Accumulated Depreciation: | | | |
| Balance at 1 January 2020 | - | 22,064,372 | 22,064,372 |
| Depreciation for the year | - | 3,653,107 | 3,653,107 |
| Balance at 31 December 2020 | - | 25,717,479 | 25,717,479 |
| Depreciation for the period | - | 2,783,634 | 2,783,634 |
| Transfer from fixed asset (1) | - | 851,876 | 851,876 |
| Balance at 30 September 2021 | - | 29,352,989 | 29,352,989 |
| Carrying amounts | | | |
| December 31, 2020 (Audited) | 147,701,028 | 47,330,315 | 195,031,343 |
| September 30, 2021 (Reviewed) | 188,443,230 | 44,933,305 | 233,376,535 |

- (1) During the period, Group transferred a land and a store from fixed assets to investment property amounting to QR 1,688,500 due to the change of use.
- (2) Additions includes land amounting to QR 40,000,000 that was acquired against outstanding receivables from the former chief executive officer (Note 9).

As at December 31, 2020, 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 December 31, 2020, the fair value at the date of valuation amounted to QR 239 million.

The Group has not carried out any independent valuation as of September 30, 2021, since management believes that the market condition has not changed significantly compared to December 31, 2020, the date on which an independent valuation has been conducted.

11. FIXED ASSETS

| a) Policyholders | Computer QR. | Total QR. |
|---|-------------------------|----------------------|
| Cost: | | |
| Balance as at 1 January 2020 / 31 December 2020 / 30 September 2021 | 2,777,628 | 2,777,628 |
| Accumulated Depreciation: | | |
| Balance as at 1 January 2020 / 31 December 2020 / 30 September 2021 | 2,777,628 | 2,777,628 |
| Carrying amounts | | |
| Balance as at 1 January 2020 / 31 December 2020 / 30 September 2021 | - | - |

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11. 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 2020 | 6,251,500 | 15,050,694 | 5,731,975 | 9,068,352 | 1,935,970 | 81,989 | 38,120,480 |
| Additions during the year | - | - | 2,045,565 | 3,569 | 493,033 | - | 2,542,167 |
| Disposals during the year | - | - | (3,359) | - | (1,926,003) | - | (1,929,362) |
| Balance at 31 December 2020 (Audited) | 6,251,500 | 15,050,694 | 7,774,181 | 9,071,921 | 503,000 | 81,989 | 38,733,285 |
| Additions during the period | - | - | 367,385 | 1,003,730 | - | - | 1,371,115 |
| Transfers during the period (Note 10) | (450,000) | (1,238,500) | - | - | - | - | (1,688,500) |
| Balance at 30 September 2021 (Reviewed) | 5,801,500 | 13,812,194 | 8,141,566 | 10,075,651 | 503,000 | 81,989 | 38,415,900 |
| Accumulated Depreciation: | | | | | | | |
| Balance as at 1 January 2020 | - | 12,262,586 | 5,425,804 | 8,703,759 | 1,712,053 | 81,989 | 28,186,191 |
| Depreciation for the year | - | 184,514 | 457,444 | 121,955 | 151,789 | - | 915,702 |
| Disposals charge for the year | - | - | - | - | (1,789,327) | - | (1,789,327) |
| Balance at 31 December 2020 (Audited) | - | 12,447,100 | 5,883,248 | 8,825,714 | 74,515 | 81,989 | 27,312,566 |
| Depreciation for the period | - | 92,449 | 511,623 | 270,079 | 75,450 | - | 949,601 |
| Transfer during the period (Note 10) | - | (851,876) | - | - | - | - | (851,876) |
| Balance at 30 September 2021 (Reviewed) | - | 11,687,673 | 6,394,871 | 9,095,793 | 149,965 | 81,989 | 27,410,291 |
| Carrying amounts | | | | | | | |
| Balance at 31 December 2020 (Audited) | 6,251,500 | 2,603,594 | 1,890,933 | 246,207 | 428,485 | - | 11,420,719 |
| Balance at 30 September 2021 (Reviewed) | 5,801,500 | 2,124,521 | 1,746,695 | 979,858 | 353,035 | - | 11,005,609 |

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12. INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

| <u>Name of Associate</u> | <u>Principal Activity</u> | <u>Country of incorporation</u> | <u>2021</u> | <u>2020</u> |
|--|---------------------------|---------------------------------|-------------|-------------|
| Qatari Unified Bureau Insurance W.L.L. | Takaful Insurance | Qatar | 25% | 25% |

Qatari 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.

| | <u>30 September 2021</u> | <u>31 December 2020</u> |
|---|--------------------------|-------------------------|
| | <u>(Reviewed)</u> | <u>(Audited)</u> |
| At 30 September / 31 December 2020 | <u>6,509,253</u> | <u>6,509,253</u> |

13. SHARE CAPITAL

| | <u>30 September 2021</u> | <u>31 December 2020</u> |
|---|---------------------------|---------------------------|
| | <u>(Reviewed)</u> | <u>(Audited)</u> |
| <i>Authorized, issued and paid up capital</i> | | |
| Share capital of QR 1 each (QR) | <u>255,279,020</u> | <u>255,279,020</u> |
| Number of shares of QR 1 each | <u>255,279,020</u> | <u>255,279,020</u> |

14. 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. The transfer for the year 2021 will be done at year end.

15. 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.

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16. 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:

| | 30 September 2021 (Reviewed) | | 31 December 2020 (Audited) | |
|--------------------------------------|---------------------------------|--------------------|-------------------------------|--------------|
| | Policyholders | Shareholders | Policyholders | Shareholders |
| | QR | QR | QR | QR |
| Quoted investments | | | | |
| At 1 January | 4,361,200 | (1,047,577) | 5,948,182 | 768,322 |
| Net movement | 2,774,941 | 1,306,286 | (1,586,982) | (1,815,899) |
| At 30 September / 31 December | 7,136,141 | 258,709 | 4,361,200 | (1,047,577) |
| Unquoted investments | | | | |
| At 1 January | (105,106) | (5,225,379) | - | (2,262,094) |
| Net movement | - | (423,779) | (105,106) | (2,963,285) |
| At 30 September / 31 December | (105,106) | (5,649,158) | (105,106) | (5,225,379) |
| Total | | | | |
| At 30 September / 31 December | 7,031,035 | (5,390,449) | 4,256,094 | (6,272,956) |

17. GENERAL AND ADMINISTRATION EXPENSES

| | 30 September 2021 (Reviewed) | 30 September 2020 (Reviewed) |
|---|------------------------------------|------------------------------------|
| Staff costs | 15,675,414 | 15,819,149 |
| Governmental expenses | 619,802 | 447,457 |
| Repair and maintenance | 957,862 | 1,102,169 |
| Insurance expenses | 235,009 | 172,057 |
| Marketing and advertising | 875,055 | 679,544 |
| Professional fees | 949,170 | 656,256 |
| Electricity and water and postal expenses | 707,161 | 472,849 |
| Refreshment and stationery | 265,304 | 301,170 |
| Sharia supervisory board fee | 150,000 | 150,000 |
| Bank charges | 82,713 | 188,298 |
| Miscellaneous | 298,602 | 902,464 |
| | 20,816,092 | 20,891,413 |

18. 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. Management has calculated tax which is insignificant to the condensed consolidated interim financial statements for the nine months period ended 30 September 2021. Therefore, it will be accounted for at year-end.

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19. RELATED PARTIES**(a) Related party transactions**

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 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 period were

| | 30 September 2021 | | 30 September 2020 | |
|--------------------|--------------------------|---------------|--------------------------|-------------------|
| | (Reviewed) | | (Reviewed) | |
| | Contributions | Claims | Contributions | Claims |
| | QR | QR | QR | QR |
| Board of Directors | 780,292 | 43,862 | 21,298,359 | 22,625,855 |

(b) Compensation of key management personnel:

| | 30 September | 30 September |
|--|---------------------|---------------------|
| | 2021 | 2020 |
| | (Reviewed) | (Reviewed) |
| Salaries and other short term benefits | 2,361,974 | 2,607,500 |
| Employees' end of service benefit for the period | 34,156 | 13,138 |
| | 2,396,130 | 2,620,638 |

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20. SEGMENT REPORTING

(a) Net underwriting results (Policyholders' and Shareholders')

For the period ended September 30, 2021
(Reviewed):

| | Marine & Aviation | Fire | General accident & Energy | Motor | Takaful & Medical | Total |
|---|-------------------|--------------|---------------------------|--------------|-------------------|---------------|
| Gross contributions | 12,078,265 | 37,052,642 | 31,969,629 | 77,081,780 | 74,619,398 | 232,801,714 |
| Retakaful share of gross contributions | (10,121,995) | (32,091,588) | (27,411,746) | (5,580,623) | (45,900,273) | (121,106,225) |
| Retained contributions | 1,956,270 | 4,961,054 | 4,557,883 | 71,501,157 | 28,719,125 | 111,695,489 |
| Movement in unearned contributions and mathematical reserves | (236,546) | (1,115,681) | (428,923) | (5,247,349) | (5,344,039) | (12,372,538) |
| Net retained contributions | 1,719,724 | 3,845,373 | 4,128,960 | 66,253,808 | 23,375,086 | 99,322,951 |
| Retakaful commission and other takaful income | 1,828,086 | 9,125,686 | 7,707,094 | 1,654,772 | 934,070 | 21,249,708 |
| Change in deferred commission | (64,778) | (652,646) | (1,264,974) | 1,781,276 | 1,592,615 | 1,391,493 |
| Total insurance revenue | 3,483,032 | 12,318,413 | 10,571,080 | 69,689,856 | 25,901,771 | 121,964,152 |
| Gross claims paid | (712,080) | (3,814,575) | (10,726,563) | (30,983,112) | (39,920,089) | (86,156,419) |
| Retakaful share of claims paid | 567,708 | 3,640,183 | 9,851,938 | 2,282,971 | 24,435,640 | 40,778,440 |
| Net claims | (144,372) | (174,392) | (874,625) | (28,700,141) | (15,484,449) | (45,377,979) |
| Movement in outstanding claims | (369,737) | (831,072) | 398,773 | (2,103,547) | 22,702 | (2,882,881) |
| Movement in claims incurred but not reported and other technical reserves | (178,155) | (296,891) | 489,379 | 1,478,542 | (1,270,372) | 222,503 |
| Commission and other takaful expenses | (559,836) | (1,758,355) | (1,570,814) | (12,164,874) | (6,486,798) | (22,540,677) |
| Net claims incurred | (1,252,100) | (3,060,710) | (1,557,287) | (41,490,020) | (23,218,917) | (70,579,034) |
| Net surplus from insurance operations | 2,230,932 | 9,257,703 | 9,013,793 | 28,199,836 | 2,682,854 | 51,385,118 |

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20. SEGMENT REPORTING (CONTINUED)

(a) Net underwriting results (Policyholders' and Shareholders') (continued)

For the period ended September 30,

2020 (Reviewed):

| | Marine & Aviation | Fire | General accident & Energy | Motor | Takaful & Medical | Total |
|---|-------------------|--------------|---------------------------|--------------|-------------------|---------------|
| Gross contributions | 11,526,470 | 47,452,331 | 26,840,899 | 75,942,705 | 70,295,352 | 232,057,757 |
| Retakaful share of gross contributions | (10,242,785) | (45,092,049) | (22,562,125) | (7,296,203) | (40,339,505) | (125,532,667) |
| Retained contributions | 1,283,685 | 2,360,282 | 4,278,774 | 68,646,502 | 29,955,847 | 106,525,090 |
| Movement in unearned contributions and mathematical reserves | 373,104 | (796,653) | (516,478) | (6,863,489) | (7,308,947) | (15,112,463) |
| Net retained contributions | 1,656,789 | 1,563,629 | 3,762,296 | 61,783,013 | 22,646,900 | 91,412,627 |
| Retakaful commission and other takaful income | 1,524,886 | 6,801,851 | 4,415,064 | 2,343,164 | 487,528 | 15,572,493 |
| Change in deferred commission | 338,214 | (625,503) | (1,771,519) | 106,784 | 1,028,657 | (923,367) |
| Total insurance revenue | 3,519,889 | 7,739,977 | 6,405,841 | 64,232,961 | 24,163,085 | 106,061,753 |
| Gross claims paid | (327,219) | (27,406,249) | (28,180,303) | (29,806,259) | (25,652,218) | (111,372,248) |
| Retakaful share of claims paid | 352,958 | 26,166,295 | 27,574,043 | 3,357,207 | 13,212,019 | 70,662,522 |
| Net claims | 25,739 | (1,239,954) | (606,260) | (26,449,052) | (12,440,199) | (40,709,726) |
| Movement in outstanding claims | (802,805) | 829,664 | (668,085) | (2,307,529) | 659,064 | (2,289,691) |
| Movement in claims incurred but not reported and other technical reserves | (38,886) | (281,863) | (471,145) | (2,919,245) | (407,786) | (4,118,925) |
| Commission and other takaful expenses | (517,411) | (1,672,328) | (966,803) | (9,323,169) | (5,753,275) | (18,232,986) |
| Net claims incurred | (1,333,363) | (2,364,481) | (2,712,293) | (40,998,995) | (17,942,196) | (65,351,328) |
| Net surplus from insurance operations | 2,186,526 | 5,375,496 | 3,693,548 | 23,233,966 | 6,220,889 | 40,710,425 |

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20. SEGMENT REPORTING (CONTINUED)

(b) Business segments

The Group's main business segment (Policyholders' and Shareholders') are as follows:

For the period ended 30 September 2021:

| | <u>Underwriting</u> | <u>Investments</u> | <u>Real Estate</u> | <u>Unallocated</u> | <u>Total</u> |
|-------------------|---------------------|--------------------|--------------------|--------------------|--------------------|
| Net income | 51,385,118 | 16,478,240 | 2,776,901 | (23,228,850) | 47,411,409 |
| Total assets | 376,116,621 | 134,123,458 | 263,165,050 | 198,170,564 | 971,575,693 |
| Total liabilities | 378,672,439 | - | - | 44,560,203 | 423,232,642 |

For the period ended 30 September 2020 / year ended 31 December 2020:

| | <u>Underwriting</u> | <u>Investments</u> | <u>Real Estate</u> | <u>Unallocated</u> | <u>Total</u> |
|-------------------|---------------------|--------------------|--------------------|--------------------|--------------|
| Net income | 40,710,425 | 11,964,549 | 7,968,295 | (27,014,295) | 33,628,974 |
| Total assets | 316,985,081 | 133,932,804 | 225,474,236 | 270,849,210 | 947,241,331 |
| Total liabilities | 387,821,136 | - | - | 50,253,966 | 438,075,102 |

(c) Geographical segments

The Group operates in the State of Qatar only.

21. 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 | |
|---|--|-------------------|---|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| | (Reviewed) | (Reviewed) | (Reviewed) | (Reviewed) |
| Profit attributable to shareholders | 10,118,820 | 7,358,027 | 43,146,269 | 28,772,561 |
| Weighted average number of ordinary shares* | 255,279,020 | 255,279,024 | 255,279,020 | 255,279,024 |
| Basic earnings per share (QR) | 0.04 | 0.03 | 0.17 | 0.11 |

*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.

22. DIVIDEND DECLARED AND PAID

The Board of Directors has proposed in their meeting dated 3 March 2021 to distribute cash dividends of QR 0.05 per share amounting to QR 12,763,951. The proposed dividends have been approved in the General Assembly meeting dated April 6, 2021.

At the Annual General Meeting on 5 April 2019, a dividend in respect of the profit for the year ended 31 December 2019 of QR 0.05 per share amounting to a total dividend of QR 12,763,951 was approved. The dividends were paid during the year ended 31 December 2020.

23. MUDAREB SHARE AND WAKALA FEES

Mudareb fees are calculated at a rate of 70% (2020: 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 21% till April 2021 and 26% from May 2021 of net retained contribution as approved by the Board and Sharia'a supervisory board as on their meeting dated 1 May 2021 (2020: 20% of net retained contribution from 1 January 2020 to 10 November 2020 and 25% from 11 November to 31 December 2020).

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's financial assets (cash and bank balances, time deposits, certain investments at fair value through equity, takaful balances receivable and other receivables and prepayments) and financial liabilities (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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24. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classification and fair values of financial asset and liabilities

As at 30 September 2021 (reviewed):

| | Carrying Value | | | Fair Value | | | |
|---|---------------------------|--------------------|-----------------------|-----------------------|------------|------------|-----------|
| | Fair value through equity | Amortized cost | Financial liabilities | Total carrying amount | Level 1 | Level 2 | Level 3 |
| Financial assets measured at fair value | | | | | | | |
| Policyholders | | | | | | | |
| Investments at fair value through equity | 20,749,056 | - | - | 20,749,056 | 19,135,902 | - | 1,613,154 |
| Investments at fair value through income statement | - | - | - | - | - | - | - |
| Financial assets not measured at fair value | | | | | | | |
| Bank balances and time deposits | - | 73,012,582 | - | 73,012,582 | - | - | - |
| Takaful balances receivable | - | 62,578,766 | - | 62,578,766 | - | - | - |
| Other receivables and prepayments | - | 12,532,413 | - | 12,532,413 | - | - | - |
| Financial liabilities not measured at fair value | | | | | | | |
| Accounts payable and Other liabilities | - | - | 21,806,592 | 21,806,592 | - | - | - |
| Dividends for policyholders | - | - | 5,789,804 | 5,789,804 | - | - | - |
| Financial assets measured at fair value | | | | | | | |
| Shareholders | | | | | | | |
| Investments at fair value through equity | 78,111,142 | - | - | 78,111,142 | 48,146,761 | 29,964,381 | - |
| Investments at fair value through income statement | 7,300,000 | - | - | 7,300,000 | - | 7,300,000 | - |
| Financial assets not measured at fair value | | | | | | | |
| Bank balances and time deposits | - | 168,458,767 | - | 168,458,767 | - | - | - |
| Takaful balances receivable | - | 58,240 | - | 58,240 | - | - | - |
| Other receivables and prepayments | - | 6,173,775 | - | 6,173,775 | - | - | - |
| Financial liabilities not measured at fair value | | | | | | | |
| Accounts payable and Other liabilities | - | - | 17,294,127 | 17,294,127 | - | - | - |
| Employees' end of service benefits | - | - | 5,459,484 | 5,459,484 | - | - | - |
| | 106,160,198 | 322,814,543 | 50,350,007 | 479,324,748 | | | |

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24. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classification and fair values of financial asset and liabilities (continued)

As at 31 December 2020:

| | Carrying Value | | | Fair Value | | | |
|---|---------------------------|--------------------|-----------------------|-----------------------|------------|------------|-----------|
| | Fair value through equity | Amortized cost | Financial liabilities | Total carrying amount | Level 1 | Level 2 | Level 3 |
| Financial assets measured at fair value | | | | | | | |
| Policyholders | | | | | | | |
| Investments at fair value through equity | 17,228,094 | - | - | 17,228,094 | 15,603,205 | - | 1,624,889 |
| Investments at fair value through income statement | 1,251,975 | - | - | 1,251,975 | - | 1,251,975 | - |
| Financial assets not measured at fair value | | | | | | | |
| Bank balances and time deposits | - | 59,095,275 | - | 59,095,275 | - | - | - |
| Takaful balances receivable | - | 57,783,903 | - | 57,783,903 | - | - | - |
| Other receivables and prepayments | - | 11,199,099 | - | 11,199,099 | - | - | - |
| Financial liabilities not measured at fair value | | | | | | | |
| Accounts payable and Other liabilities | - | - | 16,701,529 | 16,701,529 | - | - | - |
| Dividends for policyholders | - | - | 5,779,925 | 5,779,925 | - | - | - |
| Financial assets measured at fair value | | | | | | | |
| Shareholders | | | | | | | |
| Investments at fair value through equity | 80,089,475 | - | - | 80,089,475 | 49,701,315 | 30,388,160 | - |
| Investments at fair value through income statement | 7,300,000 | - | - | 7,300,000 | - | 7,300,000 | - |
| Financial assets not measured at fair value | | | | | | | |
| Bank balances and time deposits | - | 135,638,213 | - | 135,638,213 | - | - | - |
| Takaful balances receivable | - | 58,258 | - | 58,258 | - | - | - |
| Other receivables and prepayments | - | 53,510,984 | - | 53,510,984 | - | - | - |
| Financial liabilities not measured at fair value | | | | | | | |
| Accounts payable and Other liabilities | - | - | 27,593,501 | 27,593,501 | - | - | - |
| Employees' end of service benefits | - | - | 5,064,498 | 5,064,498 | - | - | - |
| | 105,869,544 | 317,285,732 | 55,139,453 | 478,294,729 | | | |

During the period ended 30 September 2021 and year ended 31 December 2020, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

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24. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The reconciliation of Level 3 is as follows:

| | Policyholder | | Shareholder | |
|--|------------------------------------|----------------------------------|------------------------------------|----------------------------------|
| | 30 September 2021 (Reviewed) | 31 December 2020 (Audited) | 30 September 2021 (Reviewed) | 31 December 2020 (Audited) |
| At the beginning of the period / year | 1,624,889 | 1,729,995 | 30,388,160 | 33,351,445 |
| Fair value losses during the period / year | - | (105,106) | (423,779) | (2,963,285) |
| Redemption during the period | (11,735) | - | | |
| At the ending of the period / year | 1,613,154 | 1,624,889 | 29,964,381 | 30,388,160 |

25. ASSETS HELD FOR SALE

The Group's 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 associate company provides traditional insurance services. Therefore, the investment has been recorded as "asset held for sale" in the condensed consolidated statement of financial position. The 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 | 2021 | 2020 |
|--|-----------------------------|------|------|
| The Bahrain National Life Assurance Company B.S.C. | Kingdom of Bahrain | 25% | 25% |

26. IMPACT OF COVID 19

The coronavirus ("COVID-19") pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought uncertainties in the global economic environment.

The Group is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption COVID-19 outbreak may have on its operations and financial performance.

The Group has considered potential impacts of the current economic volatility in determination of the reported amounts of the Group's financial and non-financial assets and these are considered to represent management's best assessment based on observable information. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.