

Al Khaleej Takaful Insurance Company Q.P.S.C.
Condensed Interim Consolidated Financial Statements
For The Six Months Period Ended
30 June 2019

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

**Condensed Interim Consolidated Financial Statements
30 June 2019**

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

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

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of Al Khaleej Takaful Insurance Company Q.P.S.C. (the "Company") and its subsidiaries (together referred to as the "Group") as of 30 June 2019 which include:

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

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

Conclusion

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

25 July 2019
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 June 2019**

In Qatari Riyals

	Notes	30 June 2019 (Reviewed)	31 December 2018 (Audited)
Policyholders' assets			
Cash and bank balances	6	17,116,280	14,386,771
Time deposits	6	23,950,000	20,300,000
Investments at fair value through equity	8	25,737,713	23,591,439
Takaful balances receivable		66,240,363	44,849,033
Retakaful balances receivable		34,507,088	23,438,092
Retakaful share of unearned contributions	7	75,569,703	59,256,215
Retakaful share of gross outstanding claims	7	158,407,771	134,012,677
Deferred commission		9,797,547	6,492,046
Other receivables and prepayments		33,414,815	28,909,322
Investment properties	9	31,804,103	32,290,698
Total policyholders' assets		476,545,383	387,526,293
Shareholders' assets			
Cash and bank balances	6	22,662,430	19,245,486
Time deposits	6	35,100,000	5,100,000
Investments at fair value through equity	8	129,682,700	122,547,125
Assets held for sale		21,454,007	21,454,007
Takaful balances receivable		6,882	6,182
Retakaful balances receivable		196,211	206,211
Retakaful share of gross outstanding claims	7	541,067	541,067
Other receivables and prepayments		140,011,323	165,716,693
Investment properties	9	200,514,519	202,334,038
Fixed assets		12,060,618	13,245,086
Property under development		682,698	412,958
Investments in associate	10	6,509,253	6,509,253
Total shareholders' assets		569,421,708	557,318,106
Total assets		1,045,967,091	944,844,399

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

The notes from pages 10 to 19 form an integral part of the interim condensed consolidated financial statements.

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

In Qatari Riyals

	Notes	30 June 2019 (Reviewed)	31 December 2018 (Audited)
Policyholders' equity			
Retained surplus		18,711,323	15,172,993
Fair value reserve		5,541,932	2,849,375
Retained surplus		<u>24,253,255</u>	<u>18,022,368</u>
Policyholders' liabilities			
Unearned contributions	7	139,355,194	108,184,598
Gross outstanding claims	7	180,315,073	156,010,216
Claims incurred but not reported	7	11,674,261	11,606,204
Deferred commission income		9,142,596	9,424,626
Accounts payable and other liabilities		43,379,719	32,480,632
Retakaful and takaful balances payable		62,512,129	45,867,274
Distributable surplus		5,913,156	5,930,375
Total policyholders' liabilities		<u>452,292,128</u>	<u>369,503,925</u>
Total policyholders' equity and liabilities		<u>476,545,383</u>	<u>387,526,293</u>
Shareholders' liabilities			
Gross outstanding claims	7	747,289	338,321
Accounts payable and other liabilities		33,287,276	29,643,939
Retakaful and takaful balances payable		1,911,396	2,126,598
Employees' end of service benefits		4,613,562	4,266,198
Total shareholders' liabilities		<u>40,559,523</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		143,255	(2,731,611)
Retained earnings		38,314,404	33,270,135
Total shareholders' equity		<u>528,862,185</u>	<u>520,943,050</u>
Total shareholders' liabilities and equity		<u>569,421,708</u>	<u>557,318,106</u>
Total liabilities, surplus of policyholders and shareholders' equity		<u>1,045,967,091</u>	<u>944,844,399</u>

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

Mr. Abdulla Ali Mohamed Al-Ansari
Board Member

Mr. Abdulla Ali Al-Assiri
Chief Executive Officer

Condensed consolidated statement of policyholders' revenues and expenses
For the three and six months period ended 30 June 2019

In Qatari Riyals

	For the three months period ended 30 June		For the six months period ended 30 June	
	2019 (Reviewed)	2018 (Reviewed)	2019 (Reviewed)	2018 (Reviewed)
Takaful revenues				
Gross contributions	67,004,394	63,205,524	159,196,697	150,818,452
Retakaful share	<u>(40,184,357)</u>	<u>(41,609,919)</u>	<u>(91,124,381)</u>	<u>(94,077,767)</u>
Retained contributions	26,820,037	21,595,605	68,072,316	56,740,685
Movement in unearned contributions	<u>(1,002,005)</u>	<u>(1,352,801)</u>	<u>(15,087,825)</u>	<u>(2,984,822)</u>
Net retained contributions	25,818,032	20,242,804	52,984,491	53,755,863
Re-takaful commission and other takaful income	5,146,468	4,271,967	11,269,818	11,385,446
Change in deferred commission	<u>138,181</u>	<u>499,634</u>	<u>3,587,530</u>	<u>913,781</u>
Total Takaful revenue	<u>31,102,681</u>	<u>25,014,405</u>	<u>67,841,839</u>	<u>66,055,090</u>
Takaful expenses				
Gross claims paid	(43,055,858)	(26,215,981)	(70,628,654)	(56,840,913)
Re-takaful share of claims paid	<u>29,802,475</u>	<u>12,001,381</u>	<u>42,586,369</u>	<u>29,548,252</u>
Net claims paid	(13,253,383)	(14,214,600)	(28,042,285)	(27,292,661)
Movement in outstanding claims	186,134	1,783,031	90,237	3,272,637
Movement in technical reserves	(161,441)	267,454	(68,056)	490,457
Commission and other takaful expenses	<u>(4,086,710)</u>	<u>(5,104,500)</u>	<u>(10,405,367)</u>	<u>(10,003,770)</u>
Total takaful expenses	<u>(17,315,400)</u>	<u>(17,268,615)</u>	<u>(38,425,471)</u>	<u>(33,533,337)</u>
Net surplus from takaful operations	<u>13,787,281</u>	<u>7,745,790</u>	<u>29,416,368</u>	<u>32,521,753</u>
Dividend income	67,365	80,821	1,187,318	1,053,054
Income from deposits	283,608	102,584	560,701	150,827
Rental income	<u>540,000</u>	<u>612,000</u>	<u>984,000</u>	<u>1,224,000</u>
Total Surplus	<u>14,678,254</u>	<u>8,541,195</u>	<u>32,148,387</u>	<u>34,949,634</u>
Other Expenses				
Wakala fees	(10,776,417)	(8,365,385)	(25,010,647)	(16,467,302)
Depreciation	(244,640)	(328,791)	(486,594)	(654,894)
Other expenses	(598,849)	(43,327)	(1,200,403)	(94,804)
Mudarib expenses	<u>(497,113)</u>	<u>(555,903)</u>	<u>(1,912,413)</u>	<u>(1,698,069)</u>
Total other expenses	<u>(12,117,019)</u>	<u>(9,293,406)</u>	<u>(28,610,057)</u>	<u>(18,915,069)</u>
Surplus / (Deficit) of revenues over expenses	<u>2,561,235</u>	<u>(752,211)</u>	<u>3,538,330</u>	<u>16,034,565</u>

The notes from pages 10 to 19 form an integral part of the interim condensed consolidated financial statements.

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

**Condensed consolidated statement of policyholders' surplus
For the six months period ended 30 June 2019**

In Qatari Riyals

	For the six months period ended 30 June	
	2019	2018
	(Reviewed)	(Reviewed)
Retained surplus balance at beginning of the period	15,172,993	10,568,495
Surplus for the period	<u>3,538,330</u>	<u>16,034,565</u>
Total surplus at the end of the period	18,711,323	26,603,060
Distribution to policyholders during the period	-	-
Retained surplus balance at the end of the period	<u>18,711,323</u>	<u>26,603,060</u>

The notes from pages 10 to 19 form an integral part of the interim condensed consolidated financial statements.

Condensed consolidated income statement
For the three and six months period ended 30 June 2019

In Qatari Riyals

	For the three months period ended 30 June		For the six months period ended 30 June	
	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 (Deficit) / Surplus from takaful operations	-	-	(408,968)	75
Investments and other income				
Wakala income	10,776,417	8,365,385	25,010,647	16,467,302
Mudarib income	497,113	555,903	1,912,413	1,698,069
Income from deposits	242,899	1,577	284,853	2,536
Dividend income	93,023	2,236,333	3,819,029	9,850,262
Net realized gain / (loss) on sale of investment at fair value through equity	41,343	(1,527,073)	1,922,318	(4,316,291)
Gain on disposal of fixed assets	263,890	3,227	263,890	3,227
Rental income, net	3,443,606	884,089	4,920,997	1,340,896
Other income	(2,445)	273,181	500	274,310
Total investment and other income	15,355,846	10,792,622	38,134,647	25,320,311
Expenses				
General and administrative expenses	(7,012,359)	(6,899,410)	(13,441,483)	(13,110,984)
Finance cost	-	(914,429)	-	(1,838,160)
Depreciation	(1,538,042)	(1,048,320)	(3,083,839)	(2,611,744)
Impairment loss on investment at fair value through equity	(2,525,400)	-	(2,525,400)	-
Total expenses	(11,075,801)	(8,862,159)	(19,050,722)	(17,560,888)
Net Income	4,280,045	1,930,463	18,674,957	7,759,498
Basic and diluted earnings per share (QR Per share) (Note 15)	0.017	0.008	0.073	0.030

The notes from pages 10 to 19 form an integral part of the interim condensed consolidated financial statements.

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

Condensed consolidated statement of changes in shareholders' equity
For the six months period ended 30 June 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	-	-	-	-	18,674,957	18,674,957
Movement in fair value reserve	-	-	-	2,874,866	-	2,874,866
Dividends paid	-	-	-	-	(13,630,688)	(13,630,688)
Balance as at 30 June 2019 (Reviewed)	<u>255,279,024</u>	<u>235,050,025</u>	<u>75,477</u>	<u>143,255</u>	<u>38,314,404</u>	<u>528,862,185</u>
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 18)	-	-	-	(3,516,533)	10,643,810	7,127,277
Balance at 1 January 2018 (restated)	<u>255,279,024</u>	<u>232,951,190</u>	<u>75,477</u>	<u>(4,990,933)</u>	<u>15,600,139</u>	<u>498,914,897</u>
Net income for the period	-	-	-	-	7,759,498	7,759,498
Movement in fair value reserve	-	-	-	3,319,935	-	3,319,935
Balance as at 30 June 2018 (Reviewed)	<u>255,279,024</u>	<u>232,951,190</u>	<u>75,477</u>	<u>(1,670,998)</u>	<u>23,359,637</u>	<u>509,994,330</u>

The notes from pages 10 to 19 form an integral part of the interim condensed consolidated financial statements.

Condensed consolidated statement of cash flows
For the six months period ended 30 June 2019

In Qatari Riyals

	Note	For the six months period ended 30 June	
		2019 (Reviewed)	2018 (Reviewed)
Cash flows from operating activities			
Net income for the period		18,674,957	7,759,498
Policyholders' surplus for the period		3,538,330	16,034,565
		<u>22,213,287</u>	<u>23,794,063</u>
<i>Adjustments for :</i>			
Depreciation		3,570,433	3,266,638
Income from deposits		(845,554)	(153,363)
Dividend income		(5,006,347)	(10,903,316)
Impairment loss on investment at fair value through equity		2,525,400	-
Gain on sale of fixed assets		(263,890)	(3,227)
Rental income		(5,904,997)	(2,564,896)
Operating profit before working capital changes		16,288,332	13,435,899
<i>Changes in:</i>			
Takaful balances receivable		(21,392,030)	(6,540,781)
Retakaful balances receivable		(11,058,996)	13,988,734
Retakaful share of unearned contributions		(16,313,488)	6,011,294
Retakaful's share of outstanding claims		(24,395,094)	5,129,574
Deferred commission		(3,305,501)	-
Other receivable and prepayments		21,199,877	(10,888,824)
Unearned contributions		31,170,596	(3,561,454)
Gross outstanding claims		24,713,825	(8,402,285)
Claims incurred but not reported		68,057	(490,457)
Deferred commission income		(282,030)	-
Accounts payable and other liabilities		14,542,424	3,705,873
Retakaful balances payable		16,429,653	(13,653,537)
Cash generated from / (used in) operating activities		47,665,625	(1,265,964)
Employees' end of service benefits		347,364	(116,510)
Net cash from / (used in) operating activities		48,012,989	(1,382,474)
Cash flows from investing activities			
Movement in investments at fair value through equity		(6,239,826)	9,300,985
Net movement in term deposits		(33,650,000)	-
Acquisition of fixed assets		(277,250)	(291,297)
Proceeds from disposal of fixed assets		461,289	11,270
Acquisition of property under development		(269,740)	(329,398)
Income from deposits		845,554	153,363
Dividends received from associates		-	3,000,000
Dividends income received		5,006,347	10,903,316
Rental income		5,904,997	2,564,896
Net cash (used in) / from investing activities		(28,218,629)	25,313,135
Cash flows from financing activities			
Net movement in Islamic bank facilities		-	(8,818,344)
Surplus distributed to policyholders		(17,219)	(1,275,400)
Dividends paid to shareholders		(13,630,688)	-
Net cash used in financing activities		(13,647,907)	(10,093,744)
Net increase in cash and cash equivalents		6,146,453	13,836,917
Cash and cash equivalents at 1 January		<u>33,632,257</u>	<u>38,014,963</u>
Cash and cash equivalents at 30 June	6	39,778,710	51,851,880

The notes from pages 10 to 19 form an integral part of the interim condensed consolidated financial statements.

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 interim condensed consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on 25 July 2019.

2. BASIS OF PREPARATION

a) Statement of compliance

The interim condensed consolidated 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 interim condensed consolidated financial statements have been prepared in accordance with the guidance provided by International Accounting Standard 34 – ‘Interim Financial Reporting’.

The interim condensed consolidated 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 six-months period ended 30 June 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the 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. The 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 interim condensed statement of cash flows, cash and cash equivalents comprise the following balances with original maturities of less than three months.

	30 June 2019 (Reviewed)	31 December 2018 (Audited)
Policyholders		
Cash on hand	463,765	300,855
Investment deposits (Islamic Banks) (1)	23,950,000	20,300,000
Call accounts (Islamic banks) (2)	15,309,852	11,438,394
Current accounts (Islamic banks) (3)	<u>1,342,663</u>	<u>2,647,522</u>
Total	<u>41,066,280</u>	<u>34,686,771</u>
Shareholders		
Cash on hand	25,007	23,256
Investment deposits matures in less than 90 days (Islamic Banks) (1)	-	3,000,000
Investment deposits (Islamic Banks) (1)	35,100,000	5,100,000
Call accounts (Islamic banks) (2)	15,969,364	11,523,821
Current accounts (Islamic banks) (3)	<u>6,668,059</u>	<u>4,698,409</u>
Total	<u>57,762,430</u>	<u>24,345,486</u>
Total cash and bank balances	<u>98,828,710</u>	<u>59,032,257</u>
Less: deposits with original maturity over ninety days	<u>(59,050,000)</u>	<u>(25,400,000)</u>
Total cash and cash equivalents	<u>39,778,710</u>	<u>33,632,257</u>

- (1) Investment deposits earn profit at rates ranging from 3.6% 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 June 2019 (Reviewed)		31 December 2018 (Audited)	
	Policyholders	Shareholders	Policyholders	Shareholders
Gross insurance contract liabilities				
Claims reported unsettled	180,315,073	747,289	156,010,216	338,321
Claims incurred but not reported	11,674,261	-	11,606,204	-
Unearned contributions	<u>139,355,194</u>	-	<u>108,184,598</u>	-
Total	<u>331,344,528</u>	<u>747,289</u>	<u>275,801,018</u>	<u>338,321</u>
Reinsurers' share of insurance contract liabilities				
Claims reported unsettled	158,407,771	541,067	134,012,677	541,067
Unearned contributions	<u>75,569,703</u>	-	<u>59,256,215</u>	-
Total	<u>233,977,474</u>	<u>541,067</u>	<u>193,268,892</u>	<u>541,067</u>
Net insurance liabilities				
Claims reported unsettled	21,907,302	206,222	21,997,539	(202,746)
Claims incurred but not reported	11,674,261	-	11,606,204	-
Unearned contributions	<u>63,785,491</u>	-	<u>48,928,383</u>	-
Total	<u>97,367,054</u>	<u>206,222</u>	<u>82,532,126</u>	<u>(202,746)</u>

8. INVESTMENTS AT FAIR VALUE THROUGH EQUITY

	30 June 2019 (Reviewed)		31 December 2018 (Audited)	
	Policyholders	Shareholders	Policyholders	Shareholders
Quoted investments (i)				
Local equity shares	19,963,300	91,664,631	17,199,564	84,563,848
Foreign equity shares	492,029	1,133,187	563,219	1,133,187
Total (1)	20,455,329	92,797,818	17,762,783	85,697,035
Unquoted investments (ii)				
Local equity shares	1,600,000	33,719,046	1,600,000	33,719,046
Foreign equity shares	3,682,384	3,165,836	4,228,656	3,131,044
Total (2)	5,282,384	36,884,882	5,828,656	36,850,090
Total investments at fair value through equity (1+2)	25,737,713	129,682,700	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.

9. INVESTMENT PROPERTIES

	30 June 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 June / 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	486,595	1,819,519	970,500	7,717,868
At 30 June / 31 December	3,433,514	20,234,303	2,946,919	18,414,784
Net book value at 30 June / 31 December	31,804,103	200,514,519	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 June 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 June 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 June / 31 December	<u>6,509,253</u>	<u>6,509,253</u>

11. SHARE CAPITAL

	30 June 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 (*)	<u>255,279,024</u>	<u>255,279,024</u>

* 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 six months period ended 30 June	
	2019 (Reviewed)	2018 (Reviewed)
Premiums	<u>12,664,400</u>	<u>11,107,538</u>
Claims	<u>4,033,527</u>	<u>7,176,962</u>

12. RELATED PARTIES (CONTINUED)

(b) Related party balances

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

	30 June 2019 (Reviewed)	31 December 2018 (Audited)
Receivable from related parties		
Major shareholders	114,000,000	144,000,000
Gulf Investments Group	<u>7,512,526</u>	<u>5,017,186</u>
Payables to related parties		
Gulf Investments Group	<u><u>4,258,386</u></u>	<u><u>4,258,386</u></u>

13. SEGMENT REPORTING

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

For the six months period ended 30 June 2019:

	<u>Underwriting</u>	<u>Investments</u>	<u>Real Estate</u>	<u>Unallocated</u>	<u>Total</u>
Net income	24,446,626	346,529	516,112	(3,095,980)	22,213,287
Total assets	395,797,727	265,096,103	233,001,320	152,071,941	1,045,967,091
Total liabilities	411,571,094	-	3,083,189	78,197,368	492,851,651

For the six months period ended 30 June 2018 / year ended 31 December 2018:

	<u>Underwriting</u>	<u>Investments</u>	<u>Real Estate</u>	<u>Unallocated</u>	<u>Total</u>
Net income	32,521,828	6,737,852	2,567,432	(18,033,049)	23,794,063
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

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

For the six months period ended 30 June 2019 (Reviewed)	Marine & Aviation	Fire	General accident & Energy	Motor	Takaful & Medical	Total
Gross contributions	6,928,542	22,587,658	25,019,425	50,065,390	54,595,682	159,196,697
Retakaful share of gross contributions	(6,124,116)	(20,585,861)	(21,214,837)	(6,005,361)	(37,194,206)	(91,124,381)
Retained contributions	804,426	2,001,797	3,804,588	44,060,029	17,401,476	68,072,316
Movement in unearned contributions	295,422	(338,516)	561,936	(12,210,646)	(3,396,021)	(15,087,825)
Net retained contributions	1,099,848	1,663,281	4,366,524	31,849,383	14,005,455	52,984,491
Retakaful commission and other takaful income	717,450	3,303,343	3,866,389	1,782,850	1,599,786	11,269,818
Change in deferred commission	76,222	(364,426)	649,655	2,252,295	973,784	3,587,530
Total insurance revenue (1)	1,893,520	4,602,198	8,882,568	35,884,528	16,579,025	67,841,839
Gross claims paid	(481,435)	(16,141,918)	(11,747,423)	(25,853,493)	(16,404,385)	(70,628,654)
Retakaful share of claims paid	370,847	15,227,001	10,986,409	4,977,163	11,024,949	42,586,369
Net claims	(110,588)	(914,917)	(761,014)	(20,876,330)	(5,379,436)	(28,042,285)
Movement in outstanding claims	38,756	298,464	(29,442)	220,161	(846,670)	(318,731)
Movement in Technical reserves	15,440	44,725	(4,610)	(9,494)	(114,117)	(68,056)
Commission and other takaful expenses	(307,665)	(848,409)	33,111	(5,995,198)	(3,287,206)	(10,405,367)
Net claims incurred (2)	(364,057)	(1,420,137)	(761,955)	(26,660,861)	(9,627,429)	(38,834,439)
Net surplus from insurance operations (1+2)	1,529,463	3,182,061	8,120,613	9,223,667	6,951,596	29,007,400

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

For the six months period ended 30 June 2018 (Reviewed)	Marine & Aviation	Fire	General accident & Energy	Motor	Takaful & Medical	Total
Gross contributions	6,262,831	21,499,756	30,468,323	43,761,470	48,826,072	150,818,452
Retakaful share of gross contributions	(5,598,789)	(19,557,568)	(26,428,459)	(7,519,267)	(34,973,684)	(94,077,767)
Retained contributions	664,042	1,942,188	4,039,864	36,242,203	13,852,388	56,740,685
Movement in unearned contributions	(52,929)	(208,125)	(274,260)	1,057,595	(3,507,103)	(2,984,822)
Net retained contributions	611,113	1,734,063	3,765,604	37,299,798	10,345,285	53,755,863
Retakaful commission and other takaful income	857,740	2,893,319	3,949,347	2,202,367	1,482,673	11,385,446
Change in deferred commission	109,295	(54,317)	554,040	168,599	136,164	913,781
Total insurance revenue (1)	1,578,148	4,573,065	8,268,991	39,670,764	11,964,122	66,055,090
Gross claims paid	(391,944)	(5,965,251)	(5,019,963)	(31,272,270)	(14,191,485)	(56,840,913)
Retakaful share of claims paid	405,370	5,496,777	4,374,119	6,965,101	12,306,885	29,548,252
Net claims	13,426	(468,474)	(645,844)	(24,307,169)	(1,884,600)	(27,292,661)
Movement in outstanding claims	(22,065)	(32,191)	224,378	3,220,854	(118,264)	3,272,712
Movement in Technical reserves	(3,748)	(4,829)	33,647	483,127	(17,740)	490,457
Commission and other takaful expenses	(315,609)	(688,212)	(826,781)	(4,832,027)	(3,341,141)	(10,003,770)
Net claims incurred (2)	(327,996)	(1,193,706)	(1,214,600)	(25,435,215)	(5,361,745)	(33,533,262)
Net surplus from insurance operations (1+2)	1,250,152	3,379,359	7,054,391	14,235,549	6,602,377	32,521,828

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 June		For the six months period ended June	
	2019 (Reviewed)	2018 (Reviewed)	2019 (Reviewed)	2018 (Reviewed)
Profit attributable to shareholders	4,280,045	1,930,463	18,674,957	7,759,498
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>0.017</u>	<u>0.008</u>	<u>0.073</u>	<u>0.030</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 as on their meeting dated 10 January 2019 (2018: 3% of net retained contribution plus general and administrative expenses).

17. COMMITMENTS AND CONTINGENCIES

Guarantees

At June 30, 2019, the Company 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 2,944,165 (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.

18. 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.