Damaan Islamic Insurance Company "BEEMA" (Q.P.S.C.)

FINANCIAL STATEMENTS

31 DECEMBER 2020

Building a better working world

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DAMAAN ISLAMIC INSURANCE COMPANY "BEEMA" (Q.P.S.C.)

Report on the Audit of the Financial Statements

Opinion
We have audited the accompanying financial statements of Damaan Islamic Insurance Company "BEEMA" (Q.P.S.C.) ("the Company"), which comprise the statement of financial position as at 31 December 2020, and the related statements of policyholders' revenues and expenses, statement of policyholders' surplus, shareholders' income statement, statement of changes in shareholders' equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and the results of the operations, its cash flows and changes in shareholders' equity for the year then ended in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ["AAOIFI"] ("FAS as issued by AAOIFI") and Qatar Central Bank regulations.

In our opinion, the Company has also complied with the Islamic Shari'ah Principles and Rules as determined by the Shari'ah Supervisory Board of the Company during the year ended 31 December 2020.

Basis for opinion
We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions (ASIFI) issued by AAOIFI. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Financial Institutions together with the ethical requirements that are relevant to our audit of the financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter
In our report dated 17 February 2021, we expressed an unmodified opinion on the financial statements of the Company. As described in Note 31 to the financial statements, certain balances were adjusted to provide a reliable and more relevant information on the financial position of the Company. Accordingly, our present opinion on the financial statements of the Company as at 31 December 2020, as presented herein, is not different from that expressed in our previous report.

Responsibilities of the Board of Directors for the financial statements
These financial statements and the Company's undertaking to operate in accordance with Islamic Shari'ah Rules and Principles as determined by the Shari'ah Supervisory Board of the Company, are the responsibility of the Company's Board of Directors.

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with FAS issued by AAOIFI and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ASIFI issued by AAOIFI will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DAMAAN ISLAMIC INSURANCE COMPANY "BEEMA" (Q.P.S.C.) (CONTINUED)

Report on the Audit of the Financial Statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ASIFI issued by AAOIFI will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ASIFI issued by AAOIFI, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors' regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors' with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Regulatory Requirements
We have obtained all the information and explanations which we considered necessary for the purpose of our audit. We further confirm that we are not aware of any contravention by the Company of its Articles of Association, the Qatar Commercial Companies Law No. 11 of 2015 and the applicable provisions of Qatar Central Bank regulations during the financial year that would have materially affected the Company's activities or its financial position.

Ahmed Sayed

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Ahmed Sayed
of Ernst & Young
Auditor's Registration No. 326

Date: 17 February 2021, except as to Note 31, which is as at 4 March 2021
Doha

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 QR	2019 QR
Policyholders' assets			
Cash and bank balances	5	**79,595,437**	153,815,432
Investments at fair value through equity	6 (a)	**396,425,999**	347,253,890
Investments at fair value through income statement	6 (b)	**28,886,264**	-
Due from related parties	7 (b)	**5,632,113**	12,694,920
Retakaful contract assets	8	**145,061,933**	102,383,972
Takaful and other receivables	10	**114,377,255**	133,263,964
Total policyholders' assets		**769,979,001**	749,412,178
Shareholders' assets			
Cash and bank balances	5	**42,178,252**	30,699,800
Investments at fair value through equity	6 (a)	**400,777,247**	359,986,820
Investments at fair value through income statement	6 (b)	**31,515,439**	-
Prepayments and other receivables	10	**1,547,730**	967,329
Due from policyholders		**39,990,778**	84,184,867
Property and equipment	9	**120,873,770**	110,392,129
Total shareholders' assets		**636,883,216**	586,230,945
TOTAL ASSETS		**1,406,862,217**	1,335,643,123
Liabilities and surplus of policyholders			
Takaful contract liabilities	8	**439,029,402**	398,165,419
Due to related parties	7 (c)	**7,684,406**	11,540,408
Takaful and other payables	14	**41,952,355**	33,765,829
Murabaha finance	11	**113,084,309**	142,899,457
Due to shareholders		**39,990,779**	84,184,867
Distributable surplus payable	15	**44,984,807**	36,030,755
Policyholders' equity		**83,252,943**	42,825,443
Total liabilities and surplus of policyholders		**769,979,001**	749,412,178
Shareholders' liabilities			
Provisions and other payables	14	**34,709,635**	33,940,389
Due to related parties	7 (c)	**6,303,507**	4,585,322
Murabaha finance	11	**175,396,322**	158,677,650
Employees' end of service benefits	17	**2,200,296**	2,008,453
Total shareholders' liabilities		**218,609,760**	199,211,814
Shareholders' equity			
Share capital	12	**200,000,000**	200,000,000
Legal reserve	13	**158,704,651**	104,189,843
Fair value reserve		**9,248,898**	182,725
Retained earnings		**50,319,907**	82,646,563
Total shareholders' equity		**418,273,456**	387,019,131
Total shareholders' liabilities and equity		**636,883,216**	586,230,945
TOTAL LIABILITIES, SURPLUS OF POLICYHOLDERS' AND SHAREHOLDERS' EQUITY		**1,406,862,217**	1,335,643,123

Sheikh. Jassim Bin Hamad Bin Jassim J. Al Thani
Chairman

Khalifa Abdulla Turki Al Subaey
Managing Director

The attached notes 1 to 31 form part of these financial statements.

STATEMENT OF POLICYHOLDERS' REVENUES AND EXPENSES

For the year ended 31 December 2020

	Notes	***2020 QR***	*2019 QR*
Gross contributions	18	**326,170,914**	339,195,142
Re-Takaful share	18	**(66,561,337)**	(61,525,296)
Net contributions		**259,609,577**	277,669,846
Changes in unearned contribution – net	18	**(13,334,425)**	(20,409,955)
Net earned contributions		**246,275,152**	257,259,891
Gross claims paid	18	**(162,789,986)**	(201,165,813)
Re-Takaful and other recoveries	18	**63,990,273**	59,603,631
Movement in outstanding claims and IBNR – net	8/18	**10,945,543**	(10,619,210)
Commission expense, net	18/19	**(39,316,380)**	(36,946,429)
Net takaful expenses		**(127,170,550)**	(189,127,821)
Surplus from Takaful operations	18	**119,104,602**	68,132,070
Net investment income	20 (a)	**15,694,147**	12,275,562
Investment expenses	20 (a)	**(2,537,771)**	(2,630,367)
Mudarib share	20 (a)	**(5,262,551)**	(3,858,077)
Provisions for bad debts	10	**(21,073,227)**	(2,602,285)
Wakala fees		**(58,854,387)**	(60,066,307)
Other income		**111,120**	2,294,694
Other expenses	21	**(2,236,872)**	(1,966,775)
Total surplus for the year		**44,945,061**	11,578,515

The attached notes 1 to 31 form part of these financial statements.

STATEMENT OF POLICYHOLDERS’ SURPLUS

For the year ended 31 December 2020

	Retained surplus QR	*Equalization reserve QR*	*Total QR*
As at 1 January 2019	15,540,028	10,000,000	25,540,028
Surplus for the year	11,578,515	-	11,578,515
Distributions to policyholders during the year	(10,244,527)	-	(10,244,527)
Net change in fair value of investments at fair value through equity	15,951,427	-	15,951,427
As at 31 December 2019	32,825,443	10,000,000	42,825,443
Impact of adoption of FAS 30 & 33	(1,490,786)	-	(1,490,786)
As at 1 January 2020 – Adjusted	31,334,657	10,000,000	41,334,657
Surplus for the year	44,945,061	-	44,945,061
Transfer to equalization reserve during the period	(30,000,000)	30,000,000	-
Distributions to policyholders during the year	(9,849,419)	-	(9,849,419)
Net change in fair value of investments at fair value through equity	6,822,644	-	6,822,644
As at 31 December 2020	**43,252,943**	**40,000,000**	**83,252,943**

The attached notes 1 to 31 form part of these financial statements.

SHAREHOLDERS’ INCOME STATEMENT

For the year ended 31 December 2020

	Notes	*2020* *QR*	*2019* *QR*
Income			
Income from shareholders’ investments	20 (b)	**16,019,108**	10,072,649
Wakala fee		**58,854,387**	60,066,307
Mudarib share	20 (a)	**5,262,551**	3,858,077
Other income		**259,821**	18,495
Total income		**80,395,867**	74,015,528
Staff costs		**(18,692,838)**	(18,020,861)
Depreciation of property and equipment	9	**(1,027,629)**	(740,531)
General and administrative expenses	22	**(12,163,889)**	(11,218,937)
Finance costs		**(721,597)**	(104,423)
Investment expenses		**(2,641,835)**	(2,032,348)
Total expenses		**(35,247,788)**	(32,117,100)
Profit for the year		**45,148,079**	41,898,428

The attached notes 1 to 31 form part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY
For the year ended 31 December 2020

	Share capital QR	*Legal reserve QR*	*Fair value reserve QR*	*Retained earnings QR*	*Total QR*
As at 1 January 2019	200,000,000	100,000,000	(13,830,849)	64,937,978	351,107,129
Total comprehensive income for the year	-	-	14,013,574	41,898,428	55,912,002
Dividends paid (Note 23)	-	-	-	(20,000,000)	(20,000,000)
Transfer to legal reserve (Note 13)	-	4,189,843	-	(4,189,843)	-
As at 31 December 2019	200,000,000	104,189,843	182,725	82,646,563	387,019,131
Impact of adoption of FAS 30 & 33	-	-	-	(2,959,927)	(2,959,927)
Balance as at 1 January 2020 – Adjusted	200,000,000	104,189,843	182,725	79,686,636	384,059,204
Total comprehensive income for the year	-	-	-	45,148,079	45,148,079
Investment at fair value	-	-	9,066,173	-	9,066,173
Dividends paid (Note 23)	-	-	-	(20,000,000)	(20,000,000)
Transfer to legal reserve (Note 13 and 31)	-	54,514,808	-	(54,514,808)	-
As at 31 December 2020	**200,000,000**	**158,704,651**	**9,248,898**	**50,319,907**	**418,273,456**

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	***2020*** ***QR***	*2019* *QR*
OPERATING ACTIVITIES			
Shareholders' profit for the year		**45,148,079**	41,898,428
Policyholders' surplus for the year		**44,945,061**	11,578,515
Adjustments for:			
Depreciation for property and equipment	9	**1,027,629**	740,531
Realized gain from investments		**(33,595,388)**	(10,072,649)
Provisions for bad debts		**21,073,227**	2,602,285
Impairment on investments		**1,102,406**	-
Fair value loss on investments at fair value through income statement		**779,727**	-
Impairment on property and equipment	9	**-**	145,000
Provision for employees' end of service benefits	17	**321,402**	301,429
Operating profit before working capital changes		**80,802,143**	47,193,539
Due from related parties		**10,061,019**	(9,217,674)
Prepayments, Takaful and other receivables		**521,994**	(9,650,160)
Due to related parties		**4,716,397**	10,709,924
Net Takaful contract liabilities		**(1,813,978)**	31,029,165
Provisions, Takaful and other payables		**(1,187,355)**	(123,287)
Cash flow from operating activities		**93,100,220**	69,941,507
End of service benefits paid	17	**(129,559)**	(125,895)
Net cash flows from operating activities		**92,970,661**	69,815,612
INVESTING ACTIVITIES			
Acquisition of property and equipment	9	**(11,509,270)**	(22,519,125)
Proceeds from sale of property and equipment		**-**	4,505
Net movement in investments		**(110,211,089)**	26,613,416
Net cash flows (used in) / from investing activities		**(121,720,359)**	4,098,796
FINANCING ACTIVITIES			
Policyholders' surplus paid during the year	15	**(895,369)**	(4,526,896)
Dividends paid	23	**(20,000,000)**	(20,000,000)
Murabaha finance	11	**(13,096,476)**	26,575,264
Net cash flows (used in) / from financing activities		**(33,991,845)**	2,048,368
(Decrease) / Increase in cash and cash equivalents		**(62,741,543)**	75,962,776
Cash and cash equivalents at the beginning of the year		**184,515,232**	108,552,456
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	**121,773,689**	184,515,232

The changes in due from policyholders and in due to shareholders were netted off and not included in the above statement.

The attached notes 1 to 31 form part of these financial statements.

1 LEGAL STATUS AND OPERATIONS

Damaan Islamic Insurance Company "BEEMA" (Q.P.S.C.) ("the Company") was incorporated in the State of Qatar on October 18, 2009 as a closed Qatari Private Shareholder Company under Qatar Commercial Companies' Law No. 5 of 2002 with Registration No: 43652. The Head Office of the Company is in Doha, State of Qatar.

The Company is primarily engaged in the business of underwriting general, Takaful (Life) and health non-profit takaful in accordance with the provisions of Islamic Shari'a. The Company also invests its capital in other Islamic investments' resources.

The financial statements of the Company for the year ended 31 December 2020 were approved by the Board of Directors on 14 February 2021 and subsequently approved on 4 March 2021.

2 BASIS OF PREPARATION

Statement of compliance
These financial statements have been prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), Shari'a Rules and Principles as determined by the Shari'a board of the Company and applicable provisions of Qatar Commercial Companies' Law. In line with the requirements of AAOIFI, matters that are not covered by FAS, the Company uses guidance from the relevant International Financial Reporting Standard ("IFRS") issued by International Accounting Standards Board (IASB).

Principal financial statements
As per FAS - 12 General Presentation and Disclosure in the Financial Statements of Islamic Insurance Companies issued by the AAOIFI, the Company is required to present the statement of financial position comprising shareholder and policyholder assets and liabilities, the policyholders' statement of revenues and expenses, the statement of policyholders' surplus or deficit, shareholders' statement of income, the statement of changes in shareholders' equity, and the statement of cash flows.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

New standards and interpretations

New standards, amendments and interpretations effective from 1 January 2020

FAS 31 Investment Agency (Al-Wakala Bi Al-lstithmar)
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.

FAS 33 "Investments 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 investments of Shari'a 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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards and interpretations (continued)

New standards, amendments and interpretations effective from 1 January 2020 (continued)

FAS 33 “Investments in Sukuk, shares and similar instruments” (continued)
The standard classifies investments into equity type, debt type and other investment instruments. In limited circumstances, where the Company is not able to determine a reliable measure of fair value of equity investments, cost may be deemed to be best approximation of fair value. Investment can be classified and measured at amortized cost, fair value through equity or fair value through the income statement. Classification categories are now driven by business model tests and reclassification will be permitted only on change of a business model and will be applied prospectively.

During the year ended 31 December 2020, the Company reassessed the business model for certain equity-type investments retrospectively with effect from 1 January 2020 and have reclassified certain investments accordingly. The cumulative effect, attributable to profit and loss taking stakeholders and policyholders relating to previous periods, has been adjusted with investments fair value pertaining to such class of stakeholders. The Company has recorded the impact of adoption of the standard on the financial statements is QR 995,163 on the policyholders’ equity and QR 2,374,216 shareholders’ equity.

Investments are classified based on the Company’s assessment of the business model within which the investments are managed, and assessment of whether the contractual terms of the investment represents either a debt-type instruments or other investment instrument having reasonably determinable effective yield.

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 Islamic Financial Institution (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.

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

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.

For the purpose of this standard, the assets and exposures shall be categorized, as under:

a) Assets and exposures subject to credit risk (subject to credit losses approach):
    (i) Receivables; and
    (ii) Off-balance sheet exposures;
b) Inventories (subject to net realizable value approach);
c) Other financing and investment assets and exposures subject to risks other than credit risk (subject to impairment approach), excluding inventories.

As permitted by FAS 30, credit losses assessment for receivables is based on simplified direct assessment of exposure, based on lifetime expected credit losses. Credit losses for off-balance sheet exposures uses a dual measurement approach, under which the loss allowance is measured as either a 12-month expected credit loss, or a lifetime expected credit loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards and interpretations (continued)

New standards, amendments and interpretations effective from 1 January 2020 (continued)

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

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

The Company has recorded the impact of adoption of the standard on the financial statements is QR 495,623 on the policyholders' equity and QR 585,711 shareholders' equity.

Standards issued but not yet effective

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 (asset Ijarah, 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. The Company is currently assessing the impact of this standard.

FAS 35 Risk Reserves
AAOIFI has issued FAS 35 "Risk Reserves" in 2018. This standard along with FAS 30 'Impairment, Credit losses and onerous commitments' supersede the earlier FAS 11 "Provisions and reserves". The objective of this standard is to establish the principles of accounting and financial reporting for risk reserves established to mitigate various risks faced by stakeholders, mainly the profit and loss taking investors, of Islamic Financial Institutions (IFIs/ the institutions). This standard shall be effective for the financial periods beginning on or after 1 January 2021 with early adoption permitted. The Company is currently assessing the impact of this standard.

IFRS 17 "Insurance contracts" with effect from 1 January 2023
IFRS 17 provides guidance on accounting for insurance contracts. For general insurance contracts, IFRS 17 introduces new accounting estimates such as mandatory discounting of loss reserves expected to be paid in more than one year, risk adjustment and related confidence level equivalent disclosure. IFRS 17 is expected to have material impact on the long-term policies written by the Company as well as revenue recognition under insurance contracts. The Company is in the process of performing an impact analysis for its insurance products as well as documentation of changes to the Company's accounting policies. It is not practical to disclose the impact of applying the IFRS 17 on these financial statements due to technical complexity. The standard shall be effective from the financial periods beginning on or after 1 January 2023 with early adoption permitted. The Company is currently assessing the impact of this standard.

Summary of significant accounting policies

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

Gross contributions
Gross contributions comprise the total contributions in relation to contracts entered into during the financial year, together with adjustments arising in the financial year to contributions receivable in respect of business written in previous financial years.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies (continued)

Revenue recognition (continued)

Gross contributions (continued)
Contributions, net of re-takaful, are taken to income over the terms of the related contracts or policies. Gross contributions are recognised in the statement of policyholders' revenues and expenses from the date of attachment of risk over the policy period. The unexpired portion of such contributions relating to the period of risk extending to beyond the financial year is included under "technical reserves" in the statement of financial position. The earned proportion of contributions is recognised as revenue in the statement policyholders' revenues and expenses.

Re-takaful share of gross contributions
Retakaful share of gross contributions are amounts paid to reinsurers in accordance with the re-takaful contracts of the Company. The retakaful share of contributions are recognized on the date on which the policy incepts.

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

Islamic deposits
Income from deposits with Islamic banks is accounted for on the basis of profits advised by the Islamic banks taking into account the principal outstanding.

Wakala fee
The Shareholders' fund is entitled for an annual fixed management fee for Takaful Contributions received during the year. Wakala fee is computed at 20% of gross takaful contributions. The actual rate for each year is determined by the Shari'a Supervisory Board with co-ordination with the Company's Board of Directors. Wakala fee pertaining to Credit Life line of business that relate to periods of risk that extend beyond the end of the financial year is deferred and included under "Takaful and other receivables" for policyholders and "Provisions and other payables" for shareholders in the statement of financial position.

Mudarib share
The Mudarib share represents management fee payable to the shareholders by the policyholders for managing their investments. A rate of 40% of the net income received on the investments of the policyholders are recognized as Mudarib share. The actual rate for each year is determined by the Shari'a Supervisory Board with co-ordination with the Company's Board of Directors.

Dividends income
Dividend income from investments is recognised when the Company's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

Claims
Gross claims are recognised in the statement of policyholders' revenues and expenses when the claim amount payable to policyholders and third parties is determined as per the terms of the re-takaful contracts. Claims incurred comprise the settlement and the handling costs paid and outstanding claims arising from events occurring during the financial period. Provisions for reported claims not paid as at the end of the reporting period are made on the basis of individual case estimates.

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

Takaful contract liabilities
Takaful contract liabilities are recognised when contracts are entered into and premiums are charged. The Company set aside following technical provisions for general and takaful businesses.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies (continued)

Takaful contract liabilities (continued)

Unearned contributions provision
Unearned contributions provision represents the portion of premium received or receivable after deduction of the re-takaful share and commission expense which relates to the period subsequent to the reporting date. The provision is calculated in accordance with the pattern of insurance service provided under the contract (365th method). Under this method, the unearned contribution provision is recognised to cover the proportion of retained premiums written in a year which relate to the period of risk. The reserve for unexpired risks represents the estimated portion of net contribution income, after deduction of the retakaful share which relates to the period subsequent to the reporting date. For Takaful (Credit Life) business the unexpired risks reserve is determined based on an actuarial valuation.

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

Claims incurred but not reported (IBNR)
Claims provision also include a liability for claims incurred but not reported as at the reporting date. The provision for IBNR is an amount of claims estimated by the Company, based on the Company's past experience related to the most recent reported claims and various statistical methods to arrive at the value expected to be paid. The liability is not discounted for the time value of money.

The provision for claims incurred but not reported (IBNR) is made as follows;

- For Takaful (Credit Life) business, based on a report provided by the independent actuary.
- For the Motor and Non-Motor class of business, 5% of net premium for the year or 10% of net outstanding claims, whichever is higher.

The takaful contract liabilities are derecognised when the contract expires, discharged or cancelled.

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

Financial Instruments
Financial instruments represent the Company's financial assets and liabilities. Financial assets include cash and cash equivalents, investments at fair value through equity, due from related parties and takaful and other receivables. Financial liabilities include due to related parties, takaful and other payables and murabha finance.

Financial assets
All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through income statement, which are initially measured at fair value.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

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

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

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

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

Investments at fair value through income statement
An investment shall be measured at fair value through income statement unless it is measured at amortised cost or fair value through equity or if irrevocable classification at initial recognition is applied.

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

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

Impairment of financial assets (policy applicable from to 1 January 2020)
The Company recognizes loss allowances for Expected Credit Losses (ECL) on the following financial instruments:
- Bank balances; and
- Investments at fair value through equity;

Other than for receivables, the Company measures loss allowances at an amount equal to lifetime ECL, except for the other financial instruments on which credit risk has not increased significantly since their initial recognition, for which they are measured as 12-month ECL. For receivables, expected credit loss allowances are an amount equal to lifetime ECL based on a simplified model.

The Company applies a three-stage approach to measuring ECL on financial assets carried at amortized cost. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months expected credit losses ("ECL")
For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognized for financial assets not meeting the criteria of 30 days delay in contractual payments through collective allowance.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (policy applicable from to 1 January 2020) (continued)

Stage 2: Lifetime ECL - not credit impaired
For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired and having equal to or more than 30 days delay but less than 90 days delay in contractual payments or meeting other qualitative indicators like significant deterioration of credit rating or breach of covenants a lifetime ECL is recognised through collective allowance.

Stage 3: Lifetime ECL - credit impaired
Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred and having equal to or more than 90 days delay in contractual payments. As this uses the same criteria as under FAS 11, the Company’s methodology for specific provisions remains largely unchanged.

Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk
When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information.

In determining whether credit risk has increased significantly since initial recognition following criteria are considered:
- External credit rating (as far as available);
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;
- Actual or expected significant changes in the operating results of the policyholders, insurers and reinsurers, other insurance debtors and debt issuers;
- Significant changes in the expected performance and behavior of the policyholders, insurers and reinsurers, other insurance debtors and debt issuers, including changes in their payment status and changes in their operating results;
- Significant changes in credit risk on other financial instruments of the same policyholders, insurers and reinsurers, other insurance debtors and debt issuers.

Forward looking information
The Group, for forward looking information, relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Central Bank base rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies (continued)

Financial Instruments (continued)

Financial assets (continued)

Impairment of financial assets (policy applicable up to 31 December 2019)
An assessment is made at the end of each reporting period to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value less any impairment loss previously recognized in the income statement;

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

(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

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

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

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

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

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

Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of investments at fair value through equity - debt securities, impairment losses are subsequently reversed through the income statement if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

Accounts and other payable
Accounts and other payables are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies (continued)

Financial Instruments (continued)

Financial assets (continued)

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement and other comprehensive income.

FAS 28 Murabaha and Other Deferred Payment Sales
AAOIFI has issued FAS 28 Murabaha and Other Deferred Payment Sales in 2017. FAS 28 supersedes the earlier FAS No. 2 "Murabaha and Murabaha to the Purchase Orderer" and FAS No. 20 "Deferred Payment Sale". The objective of this standard is to prescribe the appropriate accounting and reporting principles for recognition, measurement and disclosures in relation to Murabaha and other deferred payment sales transactions for the sellers and buyers, for such transactions.

The application of the above standard does not have a material impact on the Company’s income statement or the statement of financial position

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

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

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

Re-takaful contract liabilities represent balances due to re-takaful companies. Amounts payable are estimated in a manner consistent with the associated re-takaful contract.

Contributions and claims are presented on a gross basis for both ceded and assumed re-takaful.

Property and equipment
Items of property and equipment are carried at historical cost less accumulated depreciation less impairment losses, if any. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies (continued)

Property and equipment (continued)
Depreciation is provided on cost by the straight-line method and is charged to the income statement, at annual rates which are intended to write off the cost of the assets over their estimated useful lives as follows:

Building	20 years
Furniture and equipment	6-7 years
Computer equipment	3 years
Fixtures and fittings	7 years
Motor vehicles	5 years

The depreciation method and the estimated useful lives are reviewed at each financial year to ensure that the method of depreciation and the period are consistent with the expected pattern of economic benefits from items of property and equipment.

Freehold land and construction work in progress are not depreciated.

Impairment of non-financial assets
The Company assesses at each financial reporting date whether there is an indication that its nonfinancial assets (e.g., property and equipment,) may be impaired. If such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of are recognized in the income statement in those expense categories consistent with the function of the impaired asset.

Provisions
Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Employees' End of service benefits
The Company provides for employees' end of service benefits for the expatriates employees determined in accordance with the provision of the Qatar Labour Law No 14 of 2004 based on employees' salaries and period of employment and are paid to the employees on termination of employment with the Company.

Under Law No. 24 of 2002 on Retirement and Pension, the Company is required to make contributions to a Government fund scheme for Qatari employees calculated as a percentage of the Qatari employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

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

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

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

Foreign currency transactions
Transactions in foreign currencies are recorded in Qatari Riyal at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the rate of exchange at the reporting date. All exchange differences are taken to the income statement. Non-monetary assets and liabilities are translated at rates ruling at the date of the transaction.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies (continued)

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

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

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

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

4 CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION

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

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

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

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

Impairment of investments at fair value through equity (applicable from 1 January 2020) Estimated credit losses
Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL. Refer to note 3 for Inputs, assumptions and techniques used for estimating impairment of financial assets for more information.

Impairment of investments at fair value through equity (applicable before 31 December 2019)
The Company follows the guidance of FAS 25 "Investment in Sukuk, Shares and Similar Instruments" to determine when investment at fair value through equity is impaired. This determination requires significant judgment. In making this judgement, the Company assesses, among other factors, whether objective evidence of impairment exists.

4 CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION (CONTINUED)

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

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

Going concern
The Company’s management has made an assessment of the Company’s ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Therefore, the financial statements continue to be prepared on a going concern basis

5 CASH AND BANK BALANCES

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

	2020	*2019*
	QR	*QR*
Shareholders:		
Investment deposits (Islamic banks)	**40,304,018**	30,304,268
Saving accounts (Islamic banks)	**1,595,806**	310,856
Current accounts	**278,428**	84,676
Total	**42,178,252**	30,699,800
Policyholders:		
Investment deposits (Islamic banks)	**67,061,174**	76,019,174
Saving accounts (Islamic banks)	**10,268,084**	70,645,581
Current accounts	**2,266,179**	7,150,677
Total	**79,595,437**	153,815,432
Total cash and bank balances	**121,773,689**	184,515,232
Less: deposits with original maturity over ninety days	**(300,000)**	(3,300,000)
Total cash and cash equivalents of the year	**121,473,689**	181,215,232

- Investment deposits earn profit at rates ranging from 1.10 % to 1.35 % (2019: 2.25% to 2.5%).
- Saving accounts earn profit at rates ranging from 0.60 % to 0.9 % (2019: 0.90% to 1.10%).

6 FINANCIAL INVESTMENTS

a. Investments at fair value through equity

	Policyholders QR	*Shareholders QR*	*Total QR*
Managed funds	386,781,493	391,528,349	778,309,842
Fair value reserve	9,644,506	9,248,898	18,893,404
Investments at fair value through equity at 31 December 2020	**396,425,999**	**400,777,247**	**797,203,246**
Investments at fair value through equity at 31 December 2019	347,253,890	359,986,820	707,240,710

Note:
During the period, the Company has recognized expected credit losses of QR 601,337 and QR 501,069 for policyholders and shareholders respectively.

Reserve for allowance of expected credit loss is included in fair value reserve of QR 1,096,960 and QR 1,086,779 respectively for policyholders and shareholders

b. Investments at fair value through income statement

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

	31 December 2020		*31 December 2019*	
	Policyholders	***Shareholders QR***	*Policyholders QR*	*Shareholders QR*
Managed funds	**28,886,264**	**31,515,439**	-	-

Note:

The fair value of investments pledged against the Murabaha financing taken by the Company amounted to QR 288,480,631 (2019: QR 301,577,107).

The above investments of shareholders and policyholders are managed by reputed fund managers who take investment decisions on behalf of the Company.

7 RELATED PARTY DISCLOSURES

(a) Transactions with related parties

These represent transactions with related parties, i.e. 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 entities of which they are key management personnel. Pricing policies and terms of these transactions are approved by the Company management and are negotiated under normal commercial terms.

The following transactions were carried out with related parties:

	2020	*2019*
	QR	*QR*
Takaful contribution written		
Qatar Islamic Bank "shareholder"	**189,158,188**	132,230,004
Masraf Al Rayyan Q.P.S.C. "shareholder"	**26,033,650**	17,509,113
Barwa Real Estate Company Q.P.S.C. "shareholder"	**3,279,154**	3,896,061
Q-Invest L.L.C. "shareholder"	**3,223,116**	3,654,221
QLM Life and Medical Insurance Company Q.P.S.C.	**2,759,176**	2,351,870
Qatar Insurance Company Q.P.S.C. "shareholder"	**70,266**	2,354,961
	224,523,550	161,996,230
Claims Paid		
Qatar Islamic Bank "shareholder"	**19,169,471**	21,639,115
Qatar Insurance Company Q.P.S.C. "shareholder"	**5,265,911**	4,493,544
Masraf Al Rayyan Q.P.S.C. "shareholder"	**3,469,660**	4,627,022
Barwa Real Estate Company Q.P.S.C. "shareholder"	**76,305**	1,209,031
QLM Life and Medical Insurance Company Q.P.S.C.	**20,056**	19,065
Q-Invest L.L.C. "shareholder"	**2,056**	29,633
	28,003,459	32,017,410

(b) Due from related parties

Policyholders

	2020	*2019*
	QR	*QR*
Masraf Al Rayyan Q.P.S.C. "shareholder"	**2,948,848**	3,910,845
Qatar Insurance Company Q.P.S.C. "shareholder"	**1,894,950**	8,784,075
Barwa Real Estate Company Q.P.S.C. "shareholder"	**685,975**	-
Q-Invest L.L.C. "shareholder"	**102,340**	-
	5,632,113	12,694,920

(c) Due to related parties

Policyholders

	2020	*2019*
	QR	*QR*
QLM Life and Medical Insurance Company Q.P.S.C.	**4,007,519**	6,854,214
Q-Invest L.L.C. "shareholder"	**-**	209,244
Barwa Real Estate Company Q.P.S.C. "shareholder"	**-**	546,209
Qatar Islamic Bank Q.P.S.C. "shareholder"	**3,676,887**	3,930,741
	7,684,406	11,540,408

(i) QLM Life and Medical Insurance company has been reclassified of QR 6,854,214 in prior year from receivables to Due to related parties during the year

7 RELATED PARTY DISCLOSURES (CONTINUED)

(c) Due to related parties (continued)

Shareholders

	2020 ***QR***	*2019* *QR*
Qatar Islamic Bank Q.P.S.C. “shareholder”	**6,303,507**	4,585,322

(d) Compensation of key management personnel

	2020 ***QR***	*2019* *QR*
Short term benefits	**2,880,000**	2,806,913
Board of directors’ remuneration	**900,000**	900,000
	3,780,000	3,706,913

8 TAKAFUL CONTRACT LIABILITIES AND RETAKAFUL CONTRACT ASSETS

	2020 ***QR***	*2019* *QR*
Gross Takaful contract liabilities		
Claims reported unsettled	**153,511,693**	143,909,326
Claims incurred but not reported	**48,122,781**	25,739,335
Unearned contributions	**237,394,928**	228,516,758
Total	**439,029,402**	398,165,419
Retakaful share of takaful liabilities		
Claims reported unsettled	**102,750,230**	75,238,010
Claims incurred but not reported	**25,927,183**	6,305,187
Unearned contributions	**16,384,520**	20,840,775
Total	**145,061,933**	102,383,972
Net Takaful liabilities		
Claims reported unsettled	**50,761,463**	68,671,316
Claims incurred but not reported	**22,195,598**	19,434,148
Unearned contributions	**221,010,408**	207,675,983
Total	**293,967,469**	295,781,447

8 TAKAFUL CONTRACT LIABILITIES AND RETAKAFUL CONTRACT ASSETS (CONTINUED)

	2020			*2019*		
	Gross QR	***Retakafuls' share QR***	***Net QR***	*Gross QR*	*Retakafuls' share QR*	*Net QR*
As at 1 January						
Reported claims	**143,909,326**	**(75,238,010)**	**68,671,316**	132,490,505	(74,739,688)	57,750,817
IBNR	**25,739,335**	**(6,305,187)**	**19,434,148**	27,483,647	(7,748,210)	19,735,437
Total	**169,648,661**	**(81,543,197)**	**88,105,464**	159,974,152	(82,487,898)	77,486,254
Movements during the year						
Reported claims (unsettled)	**9,602,367**	**(27,512,220)**	**(17,909,853)**	11,418,821	(498,322)	10,920,499
IBNR	**22,383,446**	**(19,621,996)**	**2,761,450**	(1,744,312)	1,443,023	(301,289)
Total	**31,985,813**	**(47,134,216)**	**(15,148,403)***	9,674,509	944,701	10,619,210
As at 31 December						
Reported claims	**153,511,693**	**(102,750,230)**	**50,761,463**	143,909,326	(75,238,010)	68,671,316
IBNR	**48,122,781**	**(25,927,183)**	**22,195,598**	25,739,335	(6,305,187)	19,434,148
Total	**201,634,474**	**(128,677,413)**	**72,957,061**	169,648,661	(81,543,197)	88,105,464

* Note – An additional provision of QR 4,202,860 has been provided during the year in "Movement in outstanding claims and IBNR net".

9 PROPERTY AND EQUIPMENT

	Freehold land QR	*Construction work-in-progress QR*	*Building QR*	*Furniture and equipment QR*	*Computer equipment QR*	*Fixtures and fittings QR*	*Motor vehicle QR*	*Total QR*
Cost:								
At 1 January 2020	40,446,218	68,467,643	-	2,056,867	6,652,329	4,335,633	1,214,424	123,173,114
Transfers	-	(7,293,476)	7,293,476	-	-	-	-	-
Additions during the year	-	11,323,284	78,500	21,288	86,198	-	-	11,509,270
At 31 December 2020	40,446,218	72,497,451	7,371,976	2,078,155	6,738,527	4,335,633	1,214,424	134,682,384
Accumulated Depreciation:								
At 1 January 2020	-	-	-	1,703,423	6,174,829	4,132,945	769,788	12,780,985
Charge for the year	-	-	368,603	128,286	295,347	90,093	145,300	1,027,629
As at 31 December 2020	-	-	368,603	1,831,709	6,470,176	4,223,038	915,088	13,808,614
Net carrying value:								
As at 31 December 2020	**40,446,218**	**72,497,451**	**7,003,373**	**246,446**	**268,351**	**112,595**	**299,336**	**120,873,770**

9 PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold land QR	*Construction work-in-progress QR*	*Furniture and equipment QR*	*Computer equipment QR*	*Fixtures and fittings QR*	*Motor vehicle QR*	*Total QR*
Cost:							
At 1 January 2019	39,746,218	47,436,335	1,913,900	6,238,479	4,335,633	1,387,124	101,057,689
Additions during the year	700,000	21,176,308	142,967	413,850	-	86,000	22,519,125
Impairment	-	(145,000)	-	-	-	-	(145,000)
Disposals	-	-	-	-	-	(258,700)	(258,700)
At 31 December 2019	40,446,218	68,467,643	2,056,867	6,652,329	4,335,633	1,214,424	123,173,114
Accumulated Depreciation:							
At 1 January 2019	-	-	1,569,632	5,845,007	4,039,769	840,241	12,294,649
Charge for the year	-	-	133,791	329,822	93,176	183,742	740,531
Disposals	-	-	-	-	-	(254,195)	(254,195)
As at 31 December 2019	-	-	1,703,423	6,174,829	4,132,945	769,788	12,780,985
Net carrying value:							
As at 31 December 2019	40,446,218	68,467,643	353,444	477,500	202,688	444,636	110,392,129

10 PREPAYMENTS, TAKAFUL AND OTHER RECEIVABLES

	2020	*2019*
	QR	*QR*
Due from retakaful	**33,107,390**	18,411,678
Contribution receivable *	**46,935,987**	64,433,679
Other receivables and prepayments	**59,557,120**	53,988,221
	139,600,497	136,833,578
Provisions for bad debts	**(23,675,512)**	(2,602,285)
	115,924,985	134,231,293

Notes:
* Contribution receivable comprise a large number of customers mainly within the State of Qatar. Eight companies account for 73 % of the receivables as of 31 December 2020 (2019: 44%).

As at 31 December 2020, contribution receivable and due from retakaful of QR 21,073,227 (2019: QR 2,602,285) were impaired and fully provided for. The movement in the provisions for bad debts is as follows:

	2020	*2019*
	QR	*QR*
As at 1 January	**2,602,285**	-
Provided during the year	**21,073,227**	2,602,285
As at 31 December	**23,675,512**	2,602,285

The amounts due from retakaful are contractually due within a maximum of 3 months from the date of payment of the claims.

	2020	*2019*
	QR	*QR*
Shareholders receivables - net	**1,547,730**	967,329
Policyholders receivables - net	**114,377,255**	133,263,964
	115,924,985	134,231,293

11 MURABAHA FINANCE

	2020	*2019*
	QR	*QR*
As at 1 January	**301,577,107**	275,001,843
Net movement during the year	**(13,096,476)**	26,575,264
As at 31 December	**288,480,631**	301,577,107

- The Company has entered in a murabaha financing agreement with Bank Sarasin & Co. Limited, Switzerland to finance the shareholders’ investment. The financing is pledged against all the bank accounts of the Company and is repayable within 1 year.

11 MURABAHA FINANCE (CONTINUED)

	2020	*2019*
	QR	*QR*
Murabha Finance - Shareholders	**175,396,322**	158,677,650
Murabha Finance - Policyholders	**113,084,309**	142,899,457
	288,480,631	301,577,107

12 SHARE CAPITAL

	Authorized, issued and fully paid up	*Authorized, issued and fully paid up*
	٢٠٢٠	*2019*
Share capital (QR)	**200,000,000**	200,000,000
Number of shares of QR 10 each	**20,000,000**	20,000,000

13 LEGAL RESERVE

Legal reserve is computed in accordance with the provisions of the Qatar Central Bank (QCB), Qatar Commercial Companies’ Law and the company’s Articles of Association at 10% of the net profit of shareholders for the year. On November 23, 2015, the Extra-Ordinary General Meeting approved the amendment of paragraph (1) Article (66) of the Articles of Association of the Company. 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.

14 PROVISIONS, TAKAFUL AND OTHER PAYABLES

	2020	*2019*
	QR	*QR*
Due to retakaful	**9,484,647**	12,009,134
Contribution payable	**2,144,867**	4,772,795
Provisions and other payables	**65,032,476**	50,924,289
	76,661,990	67,706,218

	2020	*2019*
	QR	*QR*
Shareholders payable	**34,709,635**	33,940,389
Policyholders payable	**41,952,355**	33,765,829
	76,661,990	67,706,218

15 DISTRIBUTABLE SURPLUS PAYABLE

	2020	*2019*
	QR	*QR*
Balance at 1 January	**36,030,755**	30,313,124
Surplus declared during the year	**9,849,421**	10,244,527
Payments made during the year	**(895,369)**	(4,526,896)
Balance at 31 December	**44,984,807**	36,030,755

The Board of Directors have proposed to distribute 7% (2019: 7%) portion of gross contribution amounting to QR 9,849,419 as surplus for policyholders for the year (2019: QR 10,244,527) out of the results of Takaful operations. The proposal to distribute surplus will be submitted for formal approval at the Annual General Meeting. The balance of the retained surplus will be distributed to the policyholders in future years in accordance with the decision of the Shari’a' Supervisory Board.

The surplus is allocated to all policyholders according to their pro-rata share of premium contribution for those who have not incurred claims during the financial year.

16 EQUALIZATION RESERVE

On 30 October 2018, the Shari’a Supervisory Board and Board of Directors approved to create equalization reserve to cover any unexpected taxation impact or any unexpected policyholder expenses and that the executive management shall stop these deductions as the Management deems sufficient to manage the risks. During the year, the management has made an additional provision of QR 30,000,000 for any unexpected policyholder expenses based on the above approval.

17 EMPLOYEES’ END OF SERVICE BENEFITS

	2020	*2019*
	QR	*QR*
As at 1 January	**2,008,453**	1,832,919
Charge for the year	**321,402**	301,429
Paid during the year	**(129,559)**	(125,895)
As at 31 December	**2,200,296**	2,008,453

18 NET UNDERWRITING RESULTS

	Marine and Aviation		*Motors*		*Fire and General Accident*		*Takaful and Health*		*Total*	
	2020	*2019*	***2020***	*2019*	***2020***	*2019*	***2020***	*2019*	***2020***	*2019*
	QR	*QR*	***QR***	*QR*	***QR***	*QR*	***QR***	*QR*	***QR***	*QR*
Gross contributions	**2,576,936**	2,512,191	**117,968,661**	139,736,444	**41,042,642**	41,634,808	**164,582,675**	155,311,699	**326,170,914**	339,195,142
Re-Takaful share	**(1,444,060)**	(1,435,219)	**(2,168,106)**	(1,860,816)	**(32,417,928)**	(31,634,106)	**(30,531,243)**	(26,595,155)	**(66,561,337)**	(61,525,296)
Net contributions	**1,132,876**	1,076,972	**115,800,555**	137,875,628	**8,624,714**	10,000,702	**134,051,432**	128,716,544	**259,609,577**	277,669,846
Movement in unearned contribution	**169,141**	(143,226)	**7,814,382**	2,394,832	**470,735**	33,284	**(21,788,683)**	(22,694,845)	**(13,334,425)**	(20,409,955)
Net earned contributions	**1,302,017**	933,746	**123,614,937**	140,270,460	**9,095,449**	10,033,986	**112,262,749**	106,021,699	**246,275,152**	257,259,891
Expenses:										
Gross claims paid	**(1,052,621)**	(5,715,868)	**(93,339,826)**	(131,521,185)	**(23,238,231)**	(11,892,508)	**(45,159,308)**	(52,036,252)	**(162,789,986)**	(201,165,813)
Re-Takaful and other recoveries	**530,462**	4,620,682	**25,353,317**	33,488,796	**20,033,460**	8,228,860	**18,073,034**	13,265,293	**63,990,273**	59,603,631
Movement in outstanding claims and IBNR	**249,042**	442,720	**12,869,096**	(6,722,961)	**(1,300,242)**	(1,389,645)	**(872,353)**	(2,949,324)	**10,945,543**	(10,619,210)
Commission expense, net	**92,255**	129,895	**(9,351,041)**	(11,871,514)	**960,835**	1,264,111	**(31,018,429)**	(26,468,921)	**(39,316,380)**	(36,946,429)
Net takaful expenses	**(180,862)**	(522,571)	**(64,468,454)**	(116,626,864)	**(3,544,178)**	(3,789,182)	**(58,977,056)**	(68,189,204)	**(127,170,550)**	(189,127,821)
Surplus from takaful operations	**1,121,155**	411,175	**59,146,483**	23,643,596	**5,551,271**	6,244,804	**53,285,693**	37,832,495	**119,104,602**	68,132,070

19 COMMISSION EXPENSE - NET

	2020	*2019*
	QR	*QR*
Commission to agents and retakaful	**45,917,403**	41,275,644
Profit from retakaful	**(6,601,023)**	(4,329,215)
	39,316,380	36,946,429

20 INVESTMENT INCOME

(a) Investment Income – Policyholders

	2020	*2019*
	QR	*QR*
Income from investment of policyholders	**14,384,303**	10,299,423
Income from Islamic deposits of policyholders	**1,309,844**	1,976,139
Investment expenses of policyholders	**(2,537,771)**	(2,630,367)
Net investment income	**13,156,376**	9,645,195
Shareholders’ share in policyholders’ income *	**5,262,551**	3,858,077

* This represents management fee payable to the shareholders by the policyholders for managing the investments. The fees are calculated at a rate of 40% (2019: 40%) of the net investment income received on the investments of the policyholders. The actual rate for each year is determined by the Shari’a Supervisory Board with co-ordination with the Company’s Board of Directors. This is captioned in the statement of profit or loss as “Mudarib share”.

(b) Investment Income – Shareholders

	2020	*2019*
	QR	*QR*
Income from investments of shareholders *(net)*	**16,019,108**	10,072,649

21 OTHER EXPENSES

	2020	*2019*
	QR	*QR*
Bank charges	**1,358,436**	938,675
Allocated expenses to policyholders	**365,091**	626,731
Others	**513,345**	401,369
	2,236,872	1,966,775

22 GENERAL AND ADMINISTRATIVE EXPENSES

	2020	*2019*
	QR	*QR*
Rent	**2,424,875**	2,734,890
Professional fee	**1,661,887**	568,081
Technical fee	**1,647,004**	1,422,271
Insurance expenses	**1,348,348**	2,029,525
Board of directors' remuneration	**900,000**	900,000
IT charges	**774,014**	802,215
Legal fee	**604,023**	218,981
Advertisement expenses	**441,422**	211,710
Postage and telephone	**353,963**	556,906
Printing and stationery	**177,021**	143,331
Shari'a board remuneration	**165,000**	150,000
Foreign travel expenses	**-**	152,734
Other operating expenses (i)	**1,666,332**	1,328,293
	12,163,889	11,218,937

(i) Other operating expenses pertain to repairs and maintenance, entertainment, subscription fees and other expenses.

23 DIVIDENDS PAID

The Company has paid cash dividends of QR 20 million in 2020 (2019: QR 20 million) which pertains to dividends declared for the year ended 31 December 2019, respectively, out of the shareholders' retained earnings.

24 COMMITMENTS AND CONTINGENCIES

The Company had the following commitments and contingent liabilities outstanding at 31 December:

	2020	*2019*
	QR	*QR*
Bank guarantee	**4,284,738**	3,321,539

25 COMMITMENTS UNDER OPERATING LEASES

The Company has entered into several lease agreements for the lease of the head office and branch offices. The rental costs in respect of these properties are accounted for as operating leases.

The future lease commitments in respect of the above land lease agreement are as follows:

	2020	*2019*
	QR	*QR*
Not later than 1 year	**472,570**	1,094,420
Later than 1 year and not longer than 5 years	**459,540**	2,103,818
	932,110	3,198,238

26 FINANCIAL INVESTMENTS FAIR VALUES

Financial instruments include deposits, cash, investment securities, receivables, payables, and certain other assets and liabilities.

The fair values of the financial assets and liabilities, with the exception of certain investments at fair value through equity carried at cost, are not materially different from their carrying values.

The Company 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 which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

31 December 2020	***Level 1 QR***	***Level ٢ QR***	***Level ٣ QR***	***Total QR***
Investments at fair value through equity	**857,604,949**	**-**	**-**	**857,604,949**
	857,604,949	**-**	**-**	**857,604,949**

31 December 2019	*Level 1 QR*	*Level ٢ QR*	*Level ٣ QR*	*Total QR*
Investments at fair value through equity	707,240,710	-	-	707,240,710
	707,240,710	-	-	707,240,710

During the 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.

27 CAPITAL MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from 2016.

The capital structure of the Company consists of net debt (Murabaha Financing as detailed in Note 11 offset by cash and bank balances) and equity of the Company (comprising issued capital, reserves and retained earnings as disclosed in Notes 12 and 13 respectively).

The Company's management reviews the capital structure of the Company on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The gearing ratio at 31 December 2020 of 33 % (2019: 27%) (see below) was in line with the target range.

27 CAPITAL MANAGEMENT (CONTINUED)

Gearing ratio
The gearing ratio at year end was as follows:

	2020	*2019*
	QR	*QR*
Debt (i)	**288,480,631**	301,577,107
Cash and bank balances	**(121,773,689)**	(184,515,232)
Net debt	**166,706,942**	117,061,875
Equity (ii)	**501,526,399**	429,844,574
Net debt to equity ratio	**33%**	27%

(i) Debt is the long-term debt obtained as Murabaha Financing, as detailed in Note 11.
(ii) Equity includes all capital and reserves of the policyholders and shareholders of the Company that are managed as capital.

28 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

- To provide an adequate return to shareholders by pricing Takaful and investment contracts commensurately with the level of risk.

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

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

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

28 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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

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

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

The Company, in the normal course of business, in order to minimize financial exposure arising from large claims, enters into contracts with other parties for retakaful purposes. Such retakaful arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth.

A significant portion of the retakaful is affected under treaty, facultative and excess-of-loss retakaful contracts.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the retakaful contracts.

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

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

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

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

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

28 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Retakaful risk

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

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

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

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

Credit risk

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

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

Compliance with the policy is monitored. Any exposures and breaches are regularly reviewed.

Age analysis of financial assets

31 December 2020	***< 30 days QR***	***31 to 60 days QR***	***61 to 90 days QR***	***91 to above 120 days QR***	***Total QR***
Cash and bank balances	**121,473,689**	**-**	**-**	**300,000**	**121,773,689**
Investments at fair value through equity	**-**	**-**	**-**	**797,203,246**	**797,203,246**
Investments at fair value through income statement	**-**	**-**	**-**	**60,401,703**	**60,401,703**
Due from related parties	**-**	**-**	**5,632,113**	**-**	**5,632,113**
Takaful and other receivables	**-**	**-**	**115,924,985**	**-**	**115,924,985**
Retakaful contract assets	**-**	**-**	**-**	**145,061,933**	**145,061,933**
Total	**121,473,689**	**-**	**121,557,098**	**1,002,966,882**	١,٢٤٥,٩٩٧,٦٦٩

31 December 2019	*< 30 days QR*	*31 to 60 days QR*	*61 to 90 days QR*	*91 to above 120 days QR*	*Total QR*
Cash and bank balances	181,215,232	-	-	3,300,000	184,515,232
Investments at fair value through equity	-	-	-	707,240,710	707,240,710
Due from related parties	-	-	12,694,920	-	12,694,920
Takaful and other receivables	-	-	134,231,293	-	134,231,293
Retakaful contract assets	-	-	-	102,383,972	102,383,972
Total	181,215,232	-	146,926,213	812,924,682	1,141,066,127

28 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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

Maturity profiles
The table below summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining undiscounted contractual obligations, including interest payable and receivable. For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognized insurance liabilities. Unearned premiums and the Retakaful share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

31 December 2020	***Up to a year QR***	***1 to 5 years QR***	***Total QR***
Financial assets			
Investments at fair value through equity	**-**	**797,203,246**	**797,203,246**
Investments at fair value through income statement	**-**	**60,401,703**	**60,401,703**
Due from related parties	**5,632,113**	**-**	**5,632,113**
Takaful and other receivables	**115,924,985**	**-**	**115,924,985**
Retakaful contract assets	**145,061,933**	**-**	**145,061,933**
Due from policyholders	**39,990,779**	**-**	**39,990,779**
Cash and bank balances	**121,473,689**	**300,000**	**121,773,689**
Total	**428,083,499**	**857,904,949**	**1,285,988,448**
Financial liabilities			
Due to related parties	**13,987,913**	**-**	**13,987,913**
Takaful contract liabilities	**439,029,402**	**-**	**439,029,402**
Murabaha finance	**-**	**288,480,631**	**288,480,631**
Distributable surplus payable	**44,984,807**	**-**	**44,984,807**
Due to shareholders	**39,990,779**	**-**	**39,990,779**
Takaful payables	**76,661,990**	**-**	**76,661,990**
Total	**614,654,891**	**288,480,631**	**903,135,522**

31 December 2019	*Up to a year QR*	*1 to 5 years QR*	*Total QR*
Financial assets			
Investments at fair value through equity	-	707,240,710	707,240,710
Due from related parties	12,694,920	-	12,694,920
Takaful and other receivables	134,231,293	-	134,231,293
Retakaful contract assets	102,383,972	-	102,383,972
Due from policyholders	84,184,867	-	84,184,867
Cash and bank balances	181,215,232	3,300,000	184,515,232
Total	514,710,284	710,540,710	1,225,250,994
Financial liabilities			
Due to related parties	11,540,408	-	11,540,408
Takaful contract liabilities	398,165,419	-	398,165,419
Murabaha finance	-	301,577,107	301,577,107
Distributable surplus payable	36,030,755	-	36,030,755
Due to shareholders	84,184,867	-	84,184,867
Takaful payables	67,706,218	-	67,706,218
Total	597,627,667	301,577,107	899,204,774

28 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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

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

Profit rate risk
The Company does not expose to interest rate risk as the Company does not have any interest sensitive financial instruments.

Equity price risk
The Company is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Company does not actively trade these investments.

Equity price sensitivity analysis
If equity prices had been 5% higher/lower, profit for the year ended 31 December 2020 would have been unaffected as the equity investments are classified as investments at fair value through equity and no investments were disposed of or impaired; and other comprehensive income for the year ended 31 December 2020 would increase / decrease by QR Nil (2019: increase / decrease by QR Nil) as a result of the changes in fair value of investments at fair value through equity shares.

29 COMPARATIVE FIGURES

The comparative figures for the previous year have been reclassified, where necessary, in order to confirm to the current year’s presentation. Such reclassification did not have any effect on the net profit or the total equity for the comparative year.

30 IMPACT OF COVID-19

The ongoing COVID-19 pandemic has had a significant impact on the global economy and the ability of individuals, businesses, and governments to operate. Across the globe, travel, trade, business, working arrangements and consumption have been materially impacted by the pandemic.

The Company 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 Company’s investment portfolio is exposed to the current market volatility. Investment portfolios have certain exposures in economies that are relatively dependent on the price of crude oil. Due to the uncertainties about global markets and economic performance, changes have been incorporated in the Expected Credit Loss (ECL) calculation to reflect the observable current Macro-Economic factors and forward-looking information

The Company’s capital, liquidity and funding positions remain robust and the Company remains operationally strong in the face of unprecedented global uncertainty presented by the COVID-19 pandemic.

31 SUBSEQUENT AMENDMENTS TO THE FINANCIAL STATEMENTS

Legal reserve is computed in accordance with the provisions of the Qatar Central Bank (QCB), Qatar Commercial Companies' Law and the company's Articles of Association at 10% of the net profit of shareholders for the year. On November 23, 2015, the Extra-Ordinary General Meeting approved the amendment of paragraph (1) Article (66) of the Articles of Association of the Company. This reserve is to be maintained until it equates 100% of the paid-up capital and is not available for distribution except in circumstances specified in the Qatar Central Bank (QCB) regulations and Qatar Commercial Companies Law.

During the year 2020, Management transferred QR 50 million from retained earnings to the legal reserve. Post the issuance of the financial statements, the Company transferred an additional 10% of profit for the year to the legal reserve upon receiving instructions from QCB on 3 March 2021.

The quantitative impact on the financial statements due to the reclassification is provided below:

	2020		*2020*
	QR	*QR*	*QR*
	Previously reported	*Reclassifications*	
Shareholders' equity			
Share capital	200,000,000	-	200,000,000
Legal reserve	154,189,843	4,514,808	158,704,651
Fair value reserve	9,248,898	-	9,248,898
Retained earnings	54,834,715	(4,514,808)	50,319,907
Total shareholders' equity	418,273,456	-	418,273,456