

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

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR’S REPORT**

**FOR THE YEAR ENDED
31 DECEMBER 2022**

DAMAAN ISLAMIC INSURANCE COMPANY “BEEMA” (Q.P.S.C.)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR’S REPORT

For the year ended 31 December 2022

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QR. 83053

RN: 528/JK/FY2023

INDEPENDENT AUDITOR'S REPORT

To the Shareholders

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

Doha – Qatar

Report on the Audit of the Financial Statements

Opinion

We have audited the 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 2022, and the statements of policyholders' revenues and expenses, changes in policyholders' surplus, shareholders' income statement, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with the Financial Accounting Standards ("FAS") issued by Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) 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 these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 14 February 2022.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with FAS issued by AAOIFI, including the Company's undertaking to operate in accordance with Islamic Shari'a, and for such internal control as management 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, management 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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 ISAs 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 ISAs, 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 management;
- Conclude on the appropriateness of management's 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;

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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.

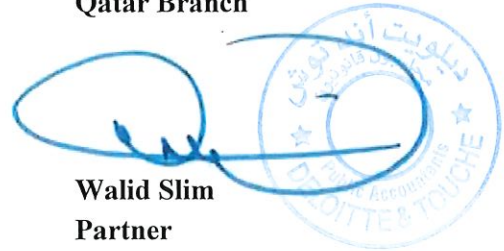
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Further, as required by the Qatar Commercial Companies Law, we are also of the opinion that proper books of account were maintained by the Company. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. To the best of our knowledge and belief and according to the information given to us, no contraventions of the applicable provisions of Qatar Commercial Companies Law and the Company's Articles of Association were committed during the year which would materially affect the Company's financial position or its performance.

Doha – Qatar
9 March 2023

For **Deloitte & Touche**
Qatar Branch



Walid Slim
Partner
License No. 319
QFMA Auditor License No. 120156

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 QR	2021 QR
Policyholders' assets			
Cash and bank balances	5	125,674,937	114,627,813
Investments at fair value through equity	6 (a)	481,030,833	427,522,168
Investments at fair value through income statement	6 (b)	11,456,061	13,868,791
Due from related parties	7 (b)	8,063,798	2,142,175
Re-takaful contract assets	8	134,109,693	140,109,191
Property and equipment	9	3,886,848	-
Takaful and other receivables	10	154,123,380	130,238,238
Total policyholders' assets		918,345,550	828,508,376
Shareholders' assets			
Cash and bank balances	5	246,502,066	44,879,399
Investments at fair value through equity	6 (a)	398,837,244	368,943,681
Investments at fair value through income statement	6 (b)	19,394,967	15,764,151
Prepayments and other receivables	10	3,706,844	2,002,013
Due from policyholders		62,207,402	50,594,751
Right-of-use assets	11	2,968,735	3,092,432
Property and equipment	9	119,319,022	123,313,934
Total shareholders' assets		852,936,280	608,590,361
Total assets		1,771,281,830	1,437,098,737
Policyholders' liabilities			
Takaful contract liabilities	8	503,722,496	475,170,914
Due to related parties	7 (c)	3,500,793	14,719,816
Takaful and other payables	12	45,137,750	32,582,072
Murabaha finance	13	124,714,362	84,487,131
Due to shareholders		62,207,402	50,594,751
Distributable surplus payable	14	57,461,171	52,305,936
Total policyholders' liabilities		796,743,974	709,860,620
Policyholders' surplus			
Fair value reserve		(29,736,360)	5,004,301
Equalization reserve	15	90,000,000	60,000,000
Retained surplus		61,337,936	53,643,455
Total policyholders' surplus		121,601,576	118,647,756
Total policyholders' liabilities and surplus		918,345,550	828,508,376
Shareholders' liabilities			
Provisions and other payables	12	55,653,354	49,945,905
Due to related parties	7 (c)	213,687,638	6,321,234
Murabaha finance	13	115,506,643	99,807,985
Net Ijarah liability	11	3,012,852	3,041,505
Employees' end of service benefits	16	3,995,122	2,987,936
Total shareholders' liabilities		391,855,609	162,104,565
Shareholders' equity			
Share capital	17	200,000,000	200,000,000
Legal reserve	18	200,000,000	200,000,000
Fair value reserve		(18,926,538)	6,623,420
Retained earnings		80,007,209	39,862,376
Total shareholders' equity		461,080,671	446,485,796
Total shareholders' liabilities and equity		852,936,280	608,590,361
TOTAL LIABILITIES, POLICYHOLDERS' SURPLUS AND SHAREHOLDERS' EQUITY		1,771,281,830	1,437,098,737

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

Nasser Rashid Al Mijnad
Chief Executive Officer

This statement has been prepared by the Company and stamped by the Auditors for identification purposes only.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS



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

STATEMENT OF POLICYHOLDERS' REVENUES AND EXPENSES

For the year ended 31 December 2022

	Notes	2022 QR	2021 QR
Gross contributions	19	392,565,127	367,594,302
Re-Takaful share	19	(93,595,657)	(74,295,351)
Net contributions		298,969,470	293,298,951
Movement in unearned contribution - net	19	(31,662,090)	(39,062,464)
Net earned contributions		267,307,380	254,236,487
Gross claims paid	19	(174,860,091)	(153,597,038)
Re-Takaful and other recoveries	19	75,705,242	61,459,487
Movement in outstanding claims and IBNR - net	19	1,313,870	(2,031,790)
Commission expense, net	19,20	(46,768,690)	(43,889,038)
Net takaful expenses		(144,609,669)	(138,058,379)
Surplus from Takaful operations	19	122,697,711	116,178,108
Fair value (loss) / gain on investments at fair value through income statement	21 (a)	(551,005)	371,891
Impairment (loss) / reversal for investments at fair value through equity	21 (a)	(22,262)	128,938
Investment income	21 (a)	16,448,180	14,604,550
Investment expenses	21 (a)	(2,060,078)	(2,444,314)
Mudarib share	21 (a)	(8,288,901)	(6,381,532)
Wakala fees	23	(81,801,733)	(70,843,120)
Other income		2,295,270	612,663
Other expenses	22	(4,113,635)	(2,766,777)
Total surplus for the year		44,603,547	49,460,407

DELOITTE & TOUCHE
Doha - Qatar

09 MAR 2023

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

STATEMENT OF CHANGES IN POLICYHOLDERS' SURPLUS

For the year ended 31 December 2022

	<i>Fair value reserve QR</i>	<i>Equalization reserve QR</i>	<i>Retained surplus QR</i>	<i>Total QR</i>
Balance at 1 January 2021	9,644,506	40,000,000	33,608,437	83,252,943
Surplus for the year	-	-	49,460,407	49,460,407
Distributable surplus during the year	-	-	(9,425,389)	(9,425,389)
Transfer to equalization reserve during the year	-	20,000,000	(20,000,000)	-
Net change in fair value of investment at fair value through equity	(4,640,205)	-	-	(4,640,205)
Balance at 31 December 2021	5,004,301	60,000,000	53,643,455	118,647,756
Prior period adjustment (Note 37)	-	-	1,573,947	1,573,947
Surplus for the year	-	-	44,603,547	44,603,547
Distributable surplus during the year	-	-	(8,483,013)	(8,483,013)
Transfer to equalization reserve during the year (note 15)	-	30,000,000	(30,000,000)	-
Net change in fair value of investment at fair value through equity	(34,740,661)	-	-	(34,740,661)
Balance at 31 December 2022	(29,736,360)	90,000,000	61,337,936	121,601,576



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

SHAREHOLDERS' INCOME STATEMENT

For the year ended 31 December 2022

	Notes	2022 QR	2021 QR
Income			
Income from shareholders' investments	21 (b)	11,718,363	12,357,846
Wakala fee	23	81,801,733	70,843,120
Mudarib share	21 (a)	8,288,901	6,381,532
Other income		<u>1,765,202</u>	<u>2,098,886</u>
Total income		<u>103,574,199</u>	<u>91,681,384</u>
Total expenses			
Staff costs		(25,864,201)	(21,265,875)
Depreciation of property and equipment	9	(6,459,262)	(5,877,579)
Fair value (loss) / gain on investments at fair value through income statement	21 (b)	(1,014,537)	694,388
Impairment reversal for investments at fair value through equity	21 (b)	24,143	248,578
General and administrative expenses	24	(11,515,999)	(11,551,501)
Finance costs		(729,180)	(182,238)
Investment expenses	21 (b)	<u>(325,316)</u>	<u>(1,514,368)</u>
Total expenses		<u>(45,884,352)</u>	<u>(39,448,595)</u>
Profit before tax for the year		57,689,847	52,232,789
Income tax expense	27	<u>(1,064,981)</u>	<u>(1,394,971)</u>
Net profit for the year		<u>56,624,866</u>	<u>50,837,818</u>
Basic/Diluted earnings per share in Qatari Riyal	29	<u>0.28</u>	<u>0.25</u>

DELOITTE & TOUCHE
Doha - Qatar

09 MAR 2023

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

STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY

For the year ended 31 December 2022

	<i>Share capital QR</i>	<i>Legal reserve QR</i>	<i>Fair value reserve QR</i>	<i>Retained earnings QR</i>	<i>Total QR</i>
Balance at 1 January 2021	200,000,000	158,704,651	9,248,898	50,319,907	418,273,456
Total comprehensive income for the year	-	-	-	50,837,818	50,837,818
Net change in fair value of investments at fair value through equity	-	-	(2,625,478)	-	(2,625,478)
Dividends paid (Note 25)	-	-	-	(20,000,000)	(20,000,000)
Transfer to legal reserve (Note 18)	-	41,295,349	-	(41,295,349)	-
Balance at 31 December 2021	200,000,000	200,000,000	6,623,420	39,862,376	446,485,796
Prior period adjustment (Note 37)	-	-	-	3,519,967	3,519,967
Total comprehensive income for the year	-	-	-	56,624,866	56,624,866
Net change in fair value of investments at fair value through equity	-	-	(25,549,958)	-	(25,549,958)
Dividends paid (Note 25)	-	-	-	(20,000,000)	(20,000,000)
Balance at 31 December 2022	<u>200,000,000</u>	<u>200,000,000</u>	<u>(18,926,538)</u>	<u>80,007,209</u>	<u>461,080,671</u>



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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 QR	2021 QR
OPERATING ACTIVITIES			
Shareholders' profit for the year		56,624,866	50,837,818
Policyholders' surplus for the year		44,603,547	49,460,407
		<u>101,228,413</u>	<u>100,298,225</u>
<i>Adjustments for:</i>			
Depreciation for property and equipment	9	6,459,262	5,877,579
Amortization of right-of-use assets	24	123,697	123,698
Net reversal impairment of financial investments		(1,881)	(377,516)
Realized gain from investments		(28,166,543)	(26,962,396)
Gain on disposal of property, plant, and equipment		-	(108,277)
Amortization of deferred cost		155,167	78,106
Provision for tax	27	1,064,981	1,394,971
Write off of property, plant, and equipment		-	952,695
Fair value loss / (gain) on investments at fair value through income statement		1,565,542	(1,066,279)
Provision for employees' end of service benefits	16	1,059,745	1,002,440
Prior period adjustment	37	5,093,914	-
Operating profit before changes in working capital		88,582,297	81,213,246
Change in due from related parties		(5,921,623)	3,489,938
Change in prepayments, takaful, and other receivables		(25,589,973)	(16,476,089)
Change in due to related parties		196,147,381	11,060,656
Change in net takaful contract liabilities		34,551,080	41,094,254
Change in provisions, takaful, and other payables		18,593,117	1,112,174
Cash flow from operating activities		<u>306,362,279</u>	<u>121,494,179</u>
Tax paid		(1,394,971)	(648,677)
Employees' end of service benefits paid	16	(52,559)	(214,800)
Net cash flows generated from operating activities		<u>304,914,749</u>	<u>120,630,702</u>
INVESTING ACTIVITIES			
Acquisition of property and equipment	9	(2,464,350)	(9,270,438)
Acquisition of capital work in progress	9	(3,886,848)	-
Investment in fixed deposits		(93,060,000)	(300,000)
Proceeds from disposal of property, plant, and equipment		-	108,277
Net movement in investments		(146,474,594)	25,684,270
Realized gain from investments		28,166,543	26,962,396
Net cash flows (used in) / generated from investing activities		<u>(217,719,249)</u>	<u>43,184,505</u>
FINANCING ACTIVITIES			
Policyholders' surplus paid during the year	14	(3,327,778)	(2,104,260)
Dividends paid	25	(20,000,000)	(20,000,000)
Repayment of gross Ijarah liability		(183,820)	(91,909)
Net movement in Murabaha finance	13	55,925,889	(104,185,515)
Net cash flows generated from / (used in) financing activities		<u>32,414,291</u>	<u>(126,381,684)</u>
Net increase in cash and cash equivalents		<u>119,609,791</u>	<u>37,433,523</u>
Cash and cash equivalents at 1 January		159,207,212	121,773,689
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	5	<u>278,817,003</u>	<u>159,207,212</u>

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

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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 located in Lusail, in the State of Qatar.

The Company is primarily engaged in the business of underwriting Marine, Aviation, Motor, Fire, General Accident, Takaful and Medical in accordance with the provisions of Islamic Shari’a. The Company also invests its capital, and other available resources in all related activities on non-interest (Riba free) basis.

By virtue of an extraordinary general assembly resolution dated 30 November 2022, the Founders, being the shareholders of the Company prior to its conversion, resolved to convert the Company from a private shareholding company to a public shareholding company and subsequently list on the Qatar Stock Exchange. It was further resolved that the conversion to a public shareholding company (Q.P.S.C.) shall be carried out by offering 25% of the shares held by shareholders of the Company prior to its conversion to the public through an Initial Public Offering (“IPO”). Post, the successful completion of the IPO, the conversion from a Qatari private shareholding company (Q.P.S.C.) to a Qatari public shareholding company (Q.P.S.C.) was formally announced in the Constitutive General Assembly (“CGA”) meeting held on 11 December 2022. The shares of the Company were listed for trading at the Qatar Stock Exchange on 16 January 2023. Also, it was resolved to change nominal value of share from QR 10 to QR 1 per share.

Consequently, the interest held by Qatar Islamic Bank Q.S.P.C., Qatar Insurance Company Q.S.P.C., Masraf Al Rayan Q.S.P.C., Barwa Real Estate Company Q.S.P.C. and Q-Invest LLC, in the Company, has been reduced by 25% of its issued and paid-up share capital.

The financial statements of the Company for the year ended 31 December 2022 were approved by the Board of Directors on 21 February 2023.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organisation for Islamic Financials Institutions (AAOIFI), the Islamic Shari’a rules and principles as determined by the Shari’a Supervisory Board of the Company, applicable provisions of Qatar Commercial Law No. 11 of 2015, including subsequent amendments through Law No. 8 of 2021 and applicable provisions of Qatar Central Bank’s rules and regulations. In line with the requirements of AAOIFI, for matters not covered by FAS, the Company uses guidance from the relevant International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”)

2.2 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 statement of policyholders’ revenues and expenses, the statement of policyholders’ surplus, shareholders’ income statement, the statement of changes in shareholders’ equity, and the statement of cash flows.

2.3 Basis of preparation

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

2.4 Basis of measurement

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 BASIS OF PREPARATION (CONTINUED)

2.5 Functional and presentational currency

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

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 New accounting standards, amendments and interpretations that are issued and effective from 1 January 2022

• **FAS 37 -Financial Reporting by Waqf Institutions**

The objective of this standard is to establish principles of financial reporting for Waqf institutions, which are established and operated in line with Shari’ah principles and rules. This standard shall be applicable on all types of Waqf institutions and other institutions constituted on the concept of Waqf, and operating in line with Shari’ah principles and rules, irrespective of their legal status, including virtual Waqf institutions.

Since the Company does not have any current waqf activities, no impact is expected of this standard to the financial statements of the Company.

• **FAS 38 -'Wa'ad, Khiyar and Tahawwut**

The objective of this standard is to prescribe the appropriate accounting and reporting principles for recognition, measurement and disclosures in relation to Shari’ah compliant Wa’ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for Islamic financial institutions (IFIs). This standard applies to accounting and financial reporting for all transactions involving Wa’ad, Khiyar or Tahawwut arrangements carried out under Shari’ah principles and rules, as provided in this standard.

The standard classifies Wa’ad and Khiyar arrangements into following categories and provides related accounting and disclosure requirements:

- a. Ancillary Wa’ad or Khiyar – where the Wa’ad or Khiyar is associated with an Islamic finance arrangement, and is related to the structure of the transaction, e.g. a promise by the purchase orderer attached to a Murabaha transaction or a promise to purchase after the end of the Ijarah term in an Ijarah Muntahia Bittamleek transaction or option of seeing in a sale transaction;
- b. Product Wa’ad or Khiyar – where the Wa’ad or Khiyar is used as a stand-alone Islamic finance arrangement in itself e.g. foreign exchange forward promise or an option of cancellation of sale with Arboun. This may, inter alia, take the following forms, in line with Shari’ah principles and rules:
 - i. promises to make a sale contract, or promise to enter into an Ijarah transactions;
 - ii. option for revocation of sale contract – with or without Arboun;
 - iii. Re-purchase option (RePO) – through a permissible Wa’ad or Khiyar; and
 - iv. Tahawwut arrangement – whereby a Wa’ad or Khiyar, or a series of Wa’ad and Khiyar is used for hedging arrangement.

3.2 New standards, amendments and interpretations issued but not yet effective

• **FAS 1 (Revised 2021) - General Presentation and Disclosures in the Financial Statements**

The standard introduces the concepts of quasi-equity, off-balance-sheet assets under management and other comprehensive income to enhance the information provided to the users of the financial statements. It also provides definitions that are aligned with the accounting treatments prescribed in the recently issued AAOIFI FASs. The standard also provides consequential amendments to other standards to bring consistency in treatments.

The Accounting Board (AAB) of the AAOIFI decided to defer the effective date of the recently issued AAOIFI FAS 1 “General Presentation and Disclosures in the Financial Statements” from 1 January 2023 to 1 January 2024. Early adoption of the standard is permitted.

• **FAS 39 - Financial Reporting for Zakah**

The objective of this standard is to establish the principles of financial reporting related to Zakah attributable to different stakeholders of an Islamic financial institution (the institution). This standard shall apply to an

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

FAS 39 - Financial Reporting for Zakah (continued)

institution with regard to the recognition, presentation and disclosure of Zakah attributable to relevant stakeholders. While computation of Zakah shall be generally applicable individually to each institution (or entity) within a group, this standard shall be applicable on all consolidated and separate / stand-alone financial statements of an institution.

This standard improves upon and supersedes AAOIFI Financial Accounting Standard (FAS) 9 “Zakah” issued previously. This standard aims at setting out the accounting treatment of Zakah in the books of an Islamic financial institution (the institution), including the presentation and disclosure in its financial statements.

This standard shall be effective for the financial periods beginning on or after 1 January 2023. Early adoption is permitted

• **FAS 40 - Financial Reporting for Islamic Finance Windows**

The objective of this standard is to establish financial reporting requirements for Islamic financial services offered by conventional financial institutions (in form of Islamic finance windows)

This standard shall be applicable to all conventional financial institutions providing Islamic financial services through an Islamic finance window, provided that such institutions opt to apply the standard in its entirety.

This standard shall be effective on the financial statements of the Islamic finance window of conventional financial institutions for the periods beginning on or after 01 January 2024. Early adoption of the standard is permitted, subject to simultaneous adoption of FAS 1 (Revised 2021) “General Presentation and Disclosures in the Financial Statements”

• **FAS 42 - Presentation and Disclosures in the Financial Statements of Takaful Institutions**

This standard aims to prescribe and improve the presentation and disclosure requirements for the financial statements of Takaful institutions, in line with the global best practices and to reflect the business model of the Takaful institutions in a fair and more understandable manner. This standard will supersede FAS 12 “General Presentation and Disclosures in the Financial Statements of Islamic Insurance Companies”.

Management is expecting that adoption of this standard will have material impact on the financial statements of the Company however, management is in the process of assessing the impact.

This standard shall be effective on the annual financial statements of the Takaful institutions beginning on or after 01 January 2025. Early adoption of the standard is permitted if adopted alongside FAS 43 “Accounting for Takaful: Recognition and Measurement”, provided that FAS 1 “General Presentation and Disclosures in the Financial Statements” has already been adopted or is simultaneously adopted.

• **FAS 43 “Accounting for Takaful: Recognition and Measurement”**

Objectives of this standard is to set out the principles for the recognition and measurement of Takaful arrangements. The standard shall be applicable to the Takaful institutions and their managed participants’ Takaful fund (PTF) and managed participants’ investment fund (PIF) in respect of Takaful arrangements, re-Takaful arrangements, investment contracts with participants with or without discretionary features and ancillary transactions. This standard supersedes FAS 13 “Disclosure of Bases for Determining and Allocation Surplus or Deficit in Islamic Insurance Companies”, FAS 15 “Provisions and Reserves in Islamic Insurance Companies” and FAS 19 “Contributions in Islamic Insurance Companies”.

Management is expecting that adoption of this standard will have material impact on the financial statements of the Company however, management is in the process of assessing the impact.

This standard shall be effective on the financial statements of the Takaful institutions for the annual financial reporting period beginning on or after 01 January 2025. Early adoption of the standard is permitted if adopted alongside FAS 42 – “Presentation and Disclosures in the Financial Statements of Takaful Institutions”

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Management anticipates that these new standards, interpretations, and amendments will be adopted in the financial statements as and when they are applicable and adoption of these new standards, interpretations, and amendments, except as highlighted in previous paragraphs, may have no material impact on the financial statements of the Company in the period of initial application.

3.3 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2021.

Ijarah

The Company as lessee

Identifying an Ijarah

At inception of a contract, the Company assesses whether the contract is, or contains an Ijarah. A contract is, or, contains an Ijarah if the contract transfers the usufruct (but not control) of an identified asset for a period of time in exchange for an agreed consideration.

Usufruct – is a legally enforceable limited right related to an asset including the two property interests of (i) usus (use), being the right to use or enjoy such asset and (ii) fructus (fruit), being the right to derive profit or benefit from such asset but does not entail risks and rewards incidental to ownership.

An institution shall reassess whether a contract is, or contains, an Ijarah only if the terms and conditions of the contract are changed.

Classification and measurement

An institution, in its capacity either as a lessor or lessee, shall classify each of its Ijarah as:

- a. an operating Ijarah - is an Ijarah that is not accompanied with an option of transfer of ownership of the underlying asset to the lessee;
- b. an Ijarah MBT - Ijarah Muntahia Bittamleek (Ijarah MBT) – is a hybrid Ijarah arrangement which, in addition to the Ijarah contract, includes a promise resulting in transfer of the ownership of the underlying asset to the lessee, either after the end of the term of the Ijarah period or by stages during the term of the contract. Such transfer of the ownership is executed through a sale or a gift, or a series of sales transactions – independent of Ijarah contract.

Ijarah MBT includes the following types:

- an Ijarah MBT – with expected transfer of ownership after the end of the Ijarah term – either through a sale or a gift; or
- an Ijarah MBT with gradual transfer – with gradual transfer of ownership during the Ijarah term (including Diminishing Musharaka Ijarah).

At the Ijarah commencement date, the Company as a lessee recognises a right-of-use (usufruct) asset and a net Ijarah liability (i.e., gross Ijarah liability less deferred Ijarah cost).

Right-of-use asset

Initial recognition and measurement

On initial recognition, the lessee measures the right-of-use asset at cost. The cost of the right-of use asset comprises of:

- a. The prime cost of the right-of-use asset;
- b. Initial direct costs incurred by the lessee; and
- c. Dismantling or decommissioning costs

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Summary of significant accounting policies (continued)

Right-of-use asset (continued)

Initial recognition and measurement (continued)

The Company determines the prime cost of the right-of-use asset using the liability estimation method. Under this method, the prime cost of the right-of-use asset is determined through estimation based on the fair value of the total consideration paid or payable (i.e., total Ijarah rentals) against the right-of-use asset, under a similar transaction.

Recognition exemptions and simplified accounting for the lessee

The Company as a lessee elects not to apply the requirements of Ijarah recognition and measurement to:

- a. Short-term Ijarah; and
- b. Ijarah for which the underlying asset is of low value

Subsequent measurement

After the commencement date, the Company as a lessee measures the right-of-use asset at cost less accumulated amortisation and impairment losses, adjusted for the effect of any Ijarah modifications or reassessments. The amortizable amount of a right-of-use asset comprises of the right-of-use asset less residual value, if any, and is amortised according to a systematic basis that is reflective of the pattern of utilization of benefits from the right-of-use asset.

The Company amortises the right-of-use asset from the commencement date to the end of the useful economic life of the right-of-use asset, which coincides with the end of the Ijarah term. The Company determines the Ijarah term, including the contractually binding period, as well as reasonably certain optional periods, including:

- a. Extension periods if it is reasonably certain that the Company will exercise that option; and/ or
- b. Termination options if it is reasonably certain that the Company will not exercise that option

The Company carries out impairment assessment in line with the requirements of FAS 30 “Impairment, Credit Losses and Onerous Commitments” to determine whether the right-of-use asset is impaired and to account for any impairment losses identified. The impairment assessment takes into consideration the estimated residual value of the underlying asset. Any related commitments, including promises to purchase the underlying asset, are also considered in line with FAS 30 “Impairment, Credit Losses and Onerous Commitments”.

Net Ijarah liability

Initial recognition and measurement

The net Ijarah liability comprises of the gross Ijarah liability and deferred Ijarah cost (shown as a contra-liability). The gross Ijarah liability is initially recognised as the gross amount of total Ijarah rental payables for the Ijarah term. The rental payable comprises of the following payments for the right to use the underlying asset during the Ijarah term:

- a. Fixed Ijarah rentals less any incentives receivable;
- b. Variable Ijarah rentals including supplementary rentals; and
- c. Payments of additional rentals, if any, for terminating the Ijarah (if the Ijarah term reflects the lessee exercising the termination option)

Advance rentals paid are netted off with the gross Ijarah liability.

Subsequent measurement

After the commencement date, the Company measures the net Ijarah liability by:

- a. Reducing the carrying amount of the gross Ijarah liability to reflect the Ijarah rentals made;
- b. Increasing the net carrying amount to reflect return on the Ijarah liability (amortisation of deferred Ijarah cost);
- c. Re-measuring the carrying amount in the event of reassessment or Ijarah contract modifications or to reflect revised Ijarah rentals.

The deferred Ijarah cost is amortised to income statement over the Ijarah terms on a time-proportionate basis using the effective rate of return method.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Summary of significant accounting policies (continued)

Net Ijarah liability (continued)

Ijarah contract modifications

After the commencement date, the Company accounts for Ijarah contract modifications as follows:

- a. Change in the Ijarah term: re-calculation and adjustment of the right-of-use asset, the Ijarah liability, and the deferred Ijarah cost; or
- b. Change in future Ijarah rentals only: re-calculation of the Ijarah liability and the deferred Ijarah cost only, without impacting the right-of-use asset.

An Ijarah modification is considered as a new Ijarah component to be accounted for as a separate Ijarah for the lessee, if the modification both additionally transfers the right to use of an identifiable underlying asset and the Ijarah rentals are increased corresponding to the additional right-of-use asset. For modifications not meeting any of the conditions stated above, the Company considers the Ijarah as a modified Ijarah as of the effective date and recognises a new Ijarah transaction. The Company recalculates the Ijarah liability, deferred Ijarah cost, and right-of-use asset, and derecognises the existing Ijarah transaction and balances.

Expenses relating to underlying asset

Operational expenses relating to the underlying asset, including any expenses contractually agreed to be borne by the Company, are recognised by the Company in the shareholder’s income statement in the period incurred.

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.

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.

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 – debt type instruments

These are financial investments in the debt-type instruments which are recognised initially at fair value, including directly attributable transaction costs. The entity debt-type investments at fair value included investment in quoted sukuks.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Summary of significant accounting policies (continued)

Financial assets (continued)

Contribution receivable

Contribution receivable is 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

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.

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.

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 behaviour 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Summary of significant accounting policies (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Forward looking information

The Company, 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.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 statement of income.

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 an 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 measurable impact on the amounts that the Company will receive from the re-takaful. 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 expense 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Summary of significant accounting policies (continued)

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.

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, fixtures, and fittings	7 years
Office equipment	4-7 years
Motor vehicles	5 years
Computer equipment	3 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 capital 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 non-financial assets (e.g., property and equipment,) may be impaired. If such an 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 are recognized in the income statement in those expense categories consistent with the function of the impaired asset.

Employees’ End of service benefits

The Company provides for employees’ end of service benefits for the expatriate employees which are determined in accordance with the provisions of the Qatar Labour Law No 14 of 2004 based on employees’ basic 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.

Takaful contract liabilities

Takaful contract liabilities are recognised when contracts are entered, and contribution is charged. The Company set aside following technical provisions/reserves for general and takaful businesses.

Unearned contribution reserve

Unearned contribution reserve represents the portion of contribution received after deduction of the re-takaful share and commission expense which relates to the period subsequent to the reporting date. The reserve is calculated in accordance with the pattern of insurance service provided under the contract (i.e., 365th method). Under this method, the unearned contribution reserve is recognised to cover the proportion of retained contributions 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 re-takaful share which relates to the period subsequent to the reporting date. For Credit life business the unexpired risk reserve is determined based on an actuarial valuation.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Summary of significant accounting policies (continued)

Takaful contract liabilities (continued)

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. For credit life business, IBNR is determined based on an actuarial valuation.

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

Contribution Deficiency Reserves (CDR)

CDR is recognised when the ultimate expected loss which includes expected claims, claims settlement cost, deferred amortised cost and related expenses exceeds unearned contributions.

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’ah Supervisory Board of the Company.

Revenue recognition

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

Gross contributions

Gross contributions (contributions) represent policies underwritten during the year, net of refunds and discounts granted. Gross contributions for Takaful business are recognised with respect to the effective date / commencement date of policy.

Re-takaful share of gross contributions

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

Net commission expenses and advance commission fee

Net commission expenses are amortized over the period in which the related gross contributions are earned. The Company defers commission income and expense of credit life policies in order to spread the commission income and expense earned over the period of three years. 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.

Deposits in Islamic Banks

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 the rate of 25% (effective from 1 July 2021) 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 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 60% (effective from 1 July 2021) of the net income received on the investments of the

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Mudarib share (continued)

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.

Dividend 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.

General and administrative expenses

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

Taxation

The income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax law used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Taxation is provided in accordance with the tax laws applicable in the State of Qatar. Current tax is the expected tax payable calculated using the tax rate enacted or substantially enacted at the reporting date and any adjustments to tax payable in respect of previous years. As per Qatar Income Tax laws and regulations, current year income tax of the Company is calculated on the taxable income for the year attributable to non-Qatari shareholders of the Company.

Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company’s other components. All operating segments’ operating results are reviewed regularly by the management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Summary of significant accounting policies (continued)

Fair values (continued)

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, less provision for impairment.

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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.

Claims recorded 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.

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.

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company’s continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Judgment in identifying Ijarah contract

At inception of a contract, the Company assesses whether the contract is, or contains an Ijarah. The Management does this by assessing that whether a contract transfers the usufruct (but not control) of an identified asset for a period of time in exchange for an agreed consideration to be identified as Ijarah contract.

Determination of Ijarah term

In determining the Ijarah term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the Ijarah term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Discounting of Ijarah

The Ijarah payments are discounted using the effective rate of return method.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimated useful life of property and equipment

The cost of the items of property and equipment are depreciated on a systematic basis over the estimated useful lives of the assets. Management has determined the estimated useful lives of each asset and/ or category of assets based on the following factors:

- Expected usage of the assets,
- Expected physical wear and tear, which depends on operational and environmental factors; and
- Legal or similar limits on the use of the assets.

Management has not made estimates of residual values for any items of property and equipment at the end of their useful lives as these have been deemed to be insignificant.

Classification of investments

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding. Refer to note 4 for further information.

Impairment of investments at fair value through equity

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 takaful and other 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 insurance contract liabilities. The Company makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the statement of profit or loss.

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:

	2022	2021
	<i>QR</i>	<i>QR</i>
Shareholders:		
Investment deposits (Islamic banks)	33,800,000	42,900,000
Saving accounts (Islamic banks)	1,734,933	1,641,604
Current accounts (i)	<u>210,967,133</u>	<u>337,795</u>
Total	<u>246,502,066</u>	<u>44,879,399</u>
Policyholders:		
Investment deposits (Islamic banks)	121,885,528	106,828,053
Saving accounts (Islamic banks)	912,464	5,318,308
Current accounts	<u>2,876,945</u>	<u>2,481,452</u>
Total	<u>125,674,937</u>	<u>114,627,813</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

5 CASH AND BANK BALANCES (CONTINUED)

	2022 QR	2021 QR
Total cash and bank balances	372,177,003	159,507,212
Less: deposits with original maturity over ninety days	<u>(93,360,000)</u>	<u>(300,000)</u>
Total cash and cash equivalents of the year	<u>278,817,003</u>	<u>159,207,212</u>

(i) This includes an amount of QR. 210,500,000 representing the proceeds collected on behalf of existing shareholders with respect to subsequent public listing. (Refer note 7 c)

- Investment deposits earn profit at rates ranging from 1.80% to 6.00% (2021: 1.60% to 2.15%) and maturing during first quarter of 2023.
- Saving accounts earn profit at rates ranging from 0.50% to 0.75% (2021: 0.50% to 0.90%) and maturing during first quarter of 2023.
- Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the respective countries. Accordingly, management of the Company estimates the loss allowance on balances with banks at the end of the reporting period at an amount equal to 12-month ECL. Management of the Company has assessed loss allowance as at reporting date and have adjusted the loss allowance accordingly.

6 FINANCIAL INVESTMENTS

a. Investments at fair value through equity

	<i>Policyholders</i> QR	<i>Shareholders</i> QR	<i>Total</i> QR
Sukuks through Managed funds	510,767,193	417,763,782	928,530,975
Fair value reserve	<u>(29,736,360)</u>	<u>(18,926,538)</u>	<u>(48,662,898)</u>
Investments at fair value through equity at 31 December 2022	<u>481,030,833</u>	<u>398,837,244</u>	<u>879,868,077</u>
Investments at fair value through equity at 31 December 2021	<u>427,522,168</u>	<u>368,943,681</u>	<u>796,465,849</u>

Note:

During the period, the Company has recorded expense of impairment amounting to QR 22,262 (2021: Reversal amounting to QR 128,938) for policyholders and QR 24,143 (2021: Expense amounting to QR 248,578) for shareholders respectively.

Provision for expected credit loss as of reporting date amounted to QR 990,284 (2021: QR 968,022) and QR 814,059 (2021: QR 838,202) respectively for policyholders and shareholders, which is netted off against the investment value.

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:

	<i>31 December 2022</i>		<i>31 December 2021</i>	
	<i>Policyholders</i> QR	<i>Shareholders</i> QR	<i>Policyholders</i> QR	<i>Shareholders</i> QR
Sukuks through Managed funds	<u>11,456,061</u>	<u>19,394,967</u>	<u>13,868,791</u>	<u>15,764,151</u>

Note:

The fair value of investments pledged against the Murabaha financing taken by the Company amounted to QR 240,221,005 (2021: QR 184,295,116).

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

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:

	2022 <i>QR</i>	2021 <i>QR</i>
<i>Takaful contribution written</i>		
<i>Qatar Islamic Bank Q.P.S.C. “shareholder”</i>	187,988,156	180,564,755
<i>Masraf Al Rayyan Q.P.S.C. “shareholder”</i>	25,295,977	23,133,704
<i>Barwa Real Estate Company Q.P.S.C. “shareholder”</i>	10,220,529	4,385,433
<i>Q-Invest L.L.C. “shareholder”</i>	4,352,253	4,019,704
<i>Qatar Insurance Company Q.P.S.C. “shareholder”</i>	4,710,704	709,015
	<u>232,567,619</u>	<u>212,812,611</u>
<i>Claims Paid</i>		
<i>Qatar Islamic Bank Q.P.S.C. “shareholder”</i>	27,263,138	26,412,233
<i>Qatar Insurance Company Q.P.S.C. “shareholder”</i>	2,700,805	6,587,587
<i>Masraf Al Rayyan Q.P.S.C. “shareholder”</i>	7,763,297	2,233,582
<i>Barwa Real Estate Company Q.P.S.C. “shareholder”</i>	494,510	-
<i>Q-Invest L.L.C. “shareholder”</i>	745,048	1,000
	<u>38,966,799</u>	<u>35,234,402</u>

(b) Due from related parties

Policyholders

	2022 <i>QR</i>	2021 <i>QR</i>
Masraf Al Rayyan Q.P.S.C. “shareholder”	-	2,140,769
Q-Invest L.L.C. “shareholder”	120,376	1,406
Qatar Insurance Company Q.P.S.C. “shareholder”	1,819,567	-
Barwa Real Estate Company Q.P.S.C. “shareholder”	6,123,855	-
	<u>8,063,798</u>	<u>2,142,175</u>

(c) Due to related parties

Policyholders

	2022 <i>QR</i>	2021 <i>QR</i>
Qatar Islamic Bank Q.P.S.C. “shareholder”	3,434,633	13,396,137
Barwa Real Estate Company Q.P.S.C. “shareholder”	-	713,233
Masraf Al Rayyan Q.P.S.C. “shareholder”	66,160	-
Qatar Insurance Company Q.P.S.C. “shareholder”	-	610,446
	<u>3,500,793</u>	<u>14,719,816</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

7 RELATED PARTY DISCLOSURES (CONTINUED)

(c) Due to related parties (continued)

Shareholders

	2022 <i>QR</i>	2021 <i>QR</i>
Qatar Insurance Company Q.P.S.C. “shareholder”	58,067,045	6,321,234
Qatar Islamic Bank Q.P.S.C. “shareholder”	51,873,531	-
Masraf Al Rayyan Q.P.S.C. “shareholder”	41,498,825	-
Barwa Real Estate Company Q.P.S.C. “shareholder”	41,498,825	-
Q-Invest L.L.C. “shareholder”	20,749,412	-
	<u>213,687,638</u>	<u>6,321,234</u>

Movement in due to related parties - Shareholders

The balance due to shareholders includes an amount of QR. 207,494,125 against the proceeds collected net of the expenses incurred on behalf of existing shareholders with respect to subsequent public listing. (Refer note 1)

	2022 <i>QR</i>
Proceeds collected on behalf of existing shareholders	210,500,000
Expenses incurred till year end on behalf of existing shareholders towards imminent public listing	<u>(3,005,875)</u>
Net amount payable to existing shareholders	<u>207,494,125</u>

(d) Compensation of key management personnel

	2022 <i>QR</i>	2021 <i>QR</i>
Short term benefits	3,903,150	4,043,772
Board of directors’ remuneration	<u>900,000</u>	<u>900,000</u>
	<u>4,803,150</u>	<u>4,943,772</u>

8 TAKAFUL CONTRACT LIABILITIES AND RE-TAKAFUL CONTRACT ASSETS

	2022 <i>QR</i>	2021 <i>QR</i>
Gross Takaful contract liabilities		
Claims reported unsettled	141,934,667	140,149,143
Claims incurred but not reported	46,442,227	51,950,080
Unearned contributions	<u>315,345,602</u>	<u>283,071,691</u>
Total	<u>503,722,496</u>	<u>475,170,914</u>
Re-takaful share of takaful liabilities		
Claims reported unsettled	83,645,510	88,484,467
Claims incurred but not reported	26,853,543	28,625,905
Unearned contributions	<u>23,610,640</u>	<u>22,998,819</u>
Total	<u>134,109,693</u>	<u>140,109,191</u>
Net Takaful liabilities		
Claims reported unsettled	58,289,157	51,664,676
Claims incurred but not reported	19,588,684	23,324,175
Unearned contributions	<u>291,734,962</u>	<u>260,072,872</u>
Total	<u>369,612,803</u>	<u>335,061,723</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

8 TAKAFUL CONTRACT LIABILITIES AND RE-TAKAFUL CONTRACT ASSETS (CONTINUED)

	2022			2021		
	Gross QR	Re-takafuls' Share QR	Net QR	Gross QR	Re-takafuls' share QR	Net QR
<i>As at 1 January</i>						
Claims reported unsettled	140,149,143	(88,484,467)	51,664,676	153,511,693	(102,750,230)	50,761,463
Claims incurred but not reported	51,950,080	(28,625,905)	23,324,175	48,122,781	(25,927,183)	22,195,598
Total	192,099,223	(117,110,372)	74,988,851	201,634,474	(128,677,413)	72,957,061
<i>Movements during the year</i>						
Claims reported unsettled	1,785,524	4,838,957	6,624,481	(13,362,550)	14,265,763	903,213
Claims incurred but not reported	(5,507,853)	1,772,362	(3,735,491)	3,827,299	(2,698,722)	1,128,577
Total	(3,722,329)	6,611,319	2,888,990	(9,535,251)	11,567,041	2,031,790
<i>As at 31 December</i>						
Claims reported unsettled	141,934,667	(83,645,510)	58,289,157	140,149,143	(88,484,467)	51,664,676
Claims incurred but not reported	46,442,227	(26,853,543)	19,588,684	51,950,080	(28,625,905)	23,324,175
Total	188,376,894	(110,499,053)	77,877,841	192,099,223	(117,110,372)	74,988,851

Analysis of unearned contribution risk

	2022			2021		
	Gross QR.	Re-takaful of liabilities QR.	Net QR.	Gross QR.	Re-takaful of liabilities QR.	Net QR.
At January 1	283,071,691	(22,998,819)	260,072,872	237,394,928	(16,384,520)	221,010,408
Premiums written during the year	392,565,127	(93,595,657)	298,969,470	367,594,302	(74,295,351)	293,298,951
Premiums earned during the year	(360,291,216)	92,983,836	(267,307,380)	(321,917,539)	67,681,052	(254,236,487)
At December 31	315,345,602	(23,610,640)	291,734,962	283,071,691	(22,998,819)	260,072,872

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

9 PROPERTY AND EQUIPMENT

	<i>Freehold land QR</i>	<i>Building QR</i>	<i>General installation, Other Plant and Machinery QR</i>	<i>Furniture, fittings and office equipment QR</i>	<i>Computer equipment QR</i>	<i>Motor vehicle QR</i>	<i>Capital work-in- progress QR</i>	<i>Total QR</i>
Cost:								
At 1 January 2022	39,746,218	76,746,685	4,303,244	10,528,816	7,302,476	1,539,500	-	140,166,939
Additions during the year	-	637,071	199,007	717,895	206,377	704,000	3,886,848	6,351,198
Write offs during the year	-	(3,515,545)	-	-	(4,289,958)	-	-	(7,805,503)
At 31 December 2022	<u>39,746,218</u>	<u>73,868,211</u>	<u>4,502,251</u>	<u>11,246,711</u>	<u>3,218,895</u>	<u>2,243,500</u>	<u>3,886,848</u>	<u>138,712,634</u>
Accumulated Depreciation:								
At 1 January 2022	-	3,911,338	824,342	4,633,916	6,837,017	646,392	-	16,853,005
Charge for the year	-	3,848,075	913,394	1,048,737	348,105	300,951	-	6,459,262
Write offs during the year	-	(3,515,545)	-	-	(4,289,958)	-	-	(7,805,503)
As at 31 December 2022	<u>-</u>	<u>4,243,868</u>	<u>1,737,736</u>	<u>5,682,653</u>	<u>2,895,164</u>	<u>947,343</u>	<u>-</u>	<u>15,506,764</u>
Net carrying value:								
As at 31 December 2022	<u>39,746,218</u>	<u>69,624,343</u>	<u>2,764,515</u>	<u>5,564,058</u>	<u>323,731</u>	<u>1,296,157</u>	<u>3,886,848</u>	<u>123,205,870</u>

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

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9 PROPERTY AND EQUIPMENT (CONTINUED)

	<i>Freehold Land QR</i>	<i>Building QR</i>	<i>General installation, Other Plant and Machinery QR</i>	<i>Furniture fittings and office equipment QR</i>	<i>Computer equipment QR</i>	<i>Motor vehicle QR</i>	<i>Capital work-in- progress QR</i>	<i>Total QR</i>
Cost:								
At 1 January 2021	40,446,218	7,371,976	-	6,413,788	6,738,527	1,214,424	72,497,451	134,682,384
Transfers	-	69,300,709	4,303,244	6,575,837	-	-	(80,179,790)	-
Additions during the year	-	74,000	-	160,150	563,949	790,000	7,682,339	9,270,438
Disposals / Write offs	(700,000)	-	-	(2,620,959)	-	(464,924)	-	(3,785,883)
At 31 December 2021	<u>39,746,218</u>	<u>76,746,685</u>	<u>4,303,244</u>	<u>10,528,816</u>	<u>7,302,476</u>	<u>1,539,500</u>	<u>-</u>	<u>140,166,939</u>
Accumulated Depreciation:								
At 1 January 2021	-	368,603	-	6,054,747	6,470,176	915,088	-	13,808,614
Charge for the year	-	3,542,735	824,342	947,433	366,841	196,228	-	5,877,579
Relating to disposals	-	-	-	(2,368,264)	-	(464,924)	-	(2,833,188)
As at 31 December 2021	<u>-</u>	<u>3,911,338</u>	<u>824,342</u>	<u>4,633,916</u>	<u>6,837,017</u>	<u>646,392</u>	<u>-</u>	<u>16,853,005</u>
Net carrying value:								
As at 31 December 2021	<u>39,746,218</u>	<u>72,835,347</u>	<u>3,478,902</u>	<u>5,894,900</u>	<u>465,459</u>	<u>893,108</u>	<u>-</u>	<u>123,313,934</u>

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

NOTES TO THE FINANCIAL STATEMENTS

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9 PROPERTY AND EQUIPMENT (CONTINUED)

9.1 Classification of property and equipment

	2022 QR	2021 QR
Property and equipment - Shareholders’	119,319,022	123,313,934
Property and equipment - Policyholders’	<u>3,886,848</u>	<u>-</u>
	<u>123,205,870</u>	<u>123,313,934</u>

10 PREPAYMENTS, TAKAFUL AND OTHER RECEIVABLES

	2022 QR	2021 QR
Due from re-takaful	27,852,713	23,137,050
Contribution receivable*	<u>60,464,678</u>	<u>52,855,904</u>
	88,317,391	75,992,954
Provisions for bad debts	<u>(23,675,512)</u>	<u>(23,675,512)</u>
	64,641,879	52,317,442
Prepayments and other receivables	<u>93,188,345</u>	<u>79,922,809</u>
	<u>157,830,224</u>	<u>132,240,251</u>

* This comprises a large number of customers mainly within the State of Qatar. Five companies account for 41.7% of the receivables as of 31 December 2022 (2021: 20.62%).

The below table describes the aging of the contribution’s receivable and due from re-takaful.

	2022 QR	2021 QR
0 - 60 days	17,394,327	14,164,626
61 - 90 days	10,361,237	3,300,453
91 - 180 days	12,011,530	14,046,374
181 - 365 days	14,630,787	12,210,225
More than 365 days	<u>33,919,510</u>	<u>32,271,276</u>
Total	<u>88,317,391</u>	<u>75,992,954</u>

The movement in the provisions for bad debts is as follows:

	2022 QR	2021 QR
As at 1 January	23,675,512	23,675,512
Provided during the year	<u>-</u>	<u>-</u>
As at 31 December	<u>23,675,512</u>	<u>23,675,512</u>

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

	2022 QR	2021 QR
Shareholders’ balance – net	3,706,844	2,002,013
Policyholders’ balance – net	<u>154,123,380</u>	<u>130,238,238</u>
	<u>157,830,224</u>	<u>132,240,251</u>

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11 RIGHT-OF-USE ASSETS AND IJARAH LIABILITIES

	<i>2022</i> <i>QR</i>	<i>2021</i> <i>QR</i>
Right-of-use assets		
At 1 January	3,092,432	3,216,130
Amortisation charge for the period	<u>(123,697)</u>	<u>(123,698)</u>
At 31 December	<u>2,968,735</u>	<u>3,092,432</u>
Ijarah liabilities		
<i>Gross Ijarah liabilities:</i>		
At 1 January	5,644,103	5,896,834
Payment/rebate during the year	<u>(183,820)</u>	<u>(252,731)</u>
At 31 December	<u>5,460,283</u>	<u>5,644,103</u>
<i>Deferred Ijarah cost:</i>		
At 1 January	2,602,598	2,680,704
Amortization charge for the period	<u>(155,167)</u>	<u>(78,106)</u>
At 31 December	<u>2,447,431</u>	<u>2,602,598</u>
Net Ijarah liabilities at 1 January	<u>3,041,505</u>	<u>3,216,130</u>
Net Ijarah liabilities at 31 December	<u>3,012,852</u>	<u>3,041,505</u>

The future gross and net Ijarah liabilities are as follows:

	<i>2022</i> <i>QR</i>	<i>2021</i> <i>QR</i>
Gross Ijarah liability		
Not later than 1 year	193,010	183,818
Later than 1 year and not longer than 5 years	791,340	781,690
More than 5 years	<u>4,475,933</u>	<u>4,678,595</u>
	<u>5,460,283</u>	<u>5,644,103</u>
Net Ijarah liability		
Not later than 1 year	39,408	28,651
Later than 1 year and not longer than 5 years	198,655	179,783
More than 5 years	<u>2,774,789</u>	<u>2,833,071</u>
	<u>3,012,852</u>	<u>3,041,505</u>

12 PROVISIONS, TAKAFUL AND OTHER PAYABLES

	<i>2022</i> <i>QR</i>	<i>2021</i> <i>QR</i>
Due to re-takaful	15,462,579	23,987,406
Contribution payable	29,590,448	1,488,123
Provisions and other payables	<u>55,738,077</u>	<u>57,052,448</u>
	<u>100,791,104</u>	<u>82,527,977</u>

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12 PROVISIONS, TAKAFUL AND OTHER PAYABLES (CONTINUED)

	2022 <i>QR</i>	2021 <i>QR</i>
Shareholders’ payable	55,653,354	49,945,905
Policyholders’ payable	<u>45,137,750</u>	<u>32,582,072</u>
	<u>100,791,104</u>	<u>82,527,977</u>

13 MURABAHA FINANCE

	2022 <i>QR</i>	2021 <i>QR</i>
As at 1 January	184,295,116	288,480,631
Net movement during the year	<u>55,925,889</u>	<u>(104,185,515)</u>
As at 31 December	<u>240,221,005</u>	<u>184,295,116</u>

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 the bank accounts and related investment securities with the investment bank and is repayable within 1 year (roll over basis).

	2022 <i>QR</i>	2021 <i>QR</i>
Murabaha Finance – Shareholders	115,506,643	99,807,985
Murabaha Finance – Policyholders	<u>124,714,362</u>	<u>84,487,131</u>
	<u>240,221,005</u>	<u>184,295,116</u>

14 DISTRIBUTABLE SURPLUS PAYABLE

	2022 <i>QR</i>	2021 <i>QR</i>
Balance at 1 January	52,305,936	44,984,807
Surplus declared during the year	8,483,013	9,425,389
Payments made during the year	<u>(3,327,778)</u>	<u>(2,104,260)</u>
Balance at 31 December	<u>57,461,171</u>	<u>52,305,936</u>

The Board of Directors have approved a distribution of QR 8,483,013 as surplus for policyholders for the year out of the results of the Takaful operations relating to the year ended 31 December 2021 (relating to 31 December 2020: QR 9,425,389). 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 Board of Directors have proposed a distribution of 7% for the year ended 31 December 2022. The proposal to distribute surplus will be submitted for approval at the Annual General Meeting.

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.

15 EQUALIZATION RESERVE

On October 30, 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. During the year, the management has made QR 30,000,000 (2021: QR 20,000,000) additional provision for any unexpected policyholder expenses based on the above approval.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

16 EMPLOYEES’ END OF SERVICE BENEFITS

	<i>2022</i> <i>QR</i>	<i>2021</i> <i>QR</i>
As at 1 January	2,987,936	2,200,296
Charge for the year	1,059,745	1,002,440
Paid during the year	<u>(52,559)</u>	<u>(214,800)</u>
As at 31 December	<u>3,995,122</u>	<u>2,987,936</u>

17 SHARE CAPITAL

	<i>Authorized, issued and fully paid up 2022</i>	<i>Authorized, issued and fully paid up 2021</i>
Share capital (QR)	<u>200,000,000</u>	<u>200,000,000</u>
Number of shares of QR 1 each (2021: QR. 10 each) (refer note 1)	<u>200,000,000</u>	<u>20,000,000</u>

The share capital is allocated between the shareholders as follows:

	<i>Country of incorporation</i>	%	<i>2022</i> <i>QR</i>	<i>2021</i> <i>QR</i>
Qatar Islamic Bank Q.P.S.C.	Qatar	25%	50,000,000	50,000,000
Qatar Insurance Company Q.P.S.C.	Qatar	25%	50,000,000	50,000,000
Masraf Al Rayyan Q.P.S.C.	Qatar	20%	40,000,000	40,000,000
Barwa Real Estate Company Q.P.S.C.	Qatar	20%	40,000,000	40,000,000
Q-Invest L.L.C.	Qatar	10%	<u>20,000,000</u>	<u>20,000,000</u>
		<u>100%</u>	<u>200,000,000</u>	<u>200,000,000</u>

Subsequent to year end, shares of the Company were listed on Qatar Stock Exchange and accordingly the shareholding pattern was changed. (Refer note 1)

18 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 a minimum of 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, the Company has transferred Nil (2021: QR 41,295,349) to legal reserve.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

19 NET UNDERWRITING RESULTS

	<i>Marine and Aviation</i>		<i>Motor</i>		<i>Fire and General Accident</i>		<i>Takaful and Health</i>		<i>Total</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>
Gross contributions	2,274,930	1,539,123	107,741,354	103,848,934	59,960,307	45,974,539	222,588,536	216,231,706	392,565,127	367,594,302
Re-Takaful share	(1,578,479)	(973,343)	(4,222,846)	(2,056,354)	(49,610,898)	(36,468,890)	(38,183,434)	(34,796,764)	(93,595,657)	(74,295,351)
Net contributions	696,451	565,780	103,518,508	101,792,580	10,349,409	9,505,649	184,405,102	181,434,942	298,969,470	293,298,951
Movement in unearned contribution – net	(30,654)	40,484	(2,288,242)	4,425,968	(292,933)	(462,027)	(29,050,261)	(43,066,889)	(31,662,090)	(39,062,464)
Net earned contributions	665,797	606,264	101,230,266	106,218,548	10,056,476	9,043,622	155,354,841	138,368,053	267,307,380	254,236,487
Expenses:										
Gross claims paid	(10,091)	(8,043)	(82,955,989)	(84,444,234)	(17,852,182)	(12,857,530)	(74,041,829)	(56,287,231)	(174,860,091)	(153,597,038)
Re-Takaful and other recoveries	9,421	122,558	30,205,236	29,947,251	15,887,715	10,559,022	29,602,870	20,830,656	75,705,242	61,459,487
Movement in outstanding claims and IBNR - net (Note 19.1)	(18,440)	19,505	5,870,342	761,574	572,705	857,062	(5,110,737)	(3,669,931)	1,313,870	(2,031,790)
Commission expense, net	98,323	100,788	(8,476,568)	(8,713,115)	1,598,678	754,701	(39,989,123)	(36,031,412)	(46,768,690)	(43,889,038)
Net takaful expenses	79,212	234,808	(55,356,979)	(62,448,524)	206,917	(686,745)	(89,538,819)	(75,157,918)	(144,609,669)	(138,058,379)
Surplus from takaful operations	745,009	841,072	45,873,287	43,770,024	10,263,393	8,356,877	65,816,022	63,210,135	122,697,711	116,178,108

19.1 In current period, movement in outstanding claims and IBNR includes reversal of QR. 4,202,860, which was originally recorded in the year 2020 under takaful and other payables relating to a potential facultative cover claim.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

20 COMMISSION EXPENSE - NET

	<i>2022</i> <i>QR</i>	<i>2021</i> <i>QR</i>
Commission to agents	55,686,119	55,310,043
Commission from re-takaful	(8,917,429)	(11,421,005)
	<u>46,768,690</u>	<u>43,889,038</u>

21 INVESTMENT INCOME

(a) Investment Income – Policyholders

	<i>2022</i> <i>QR</i>	<i>2021</i> <i>QR</i>
Investment profit	13,631,024	13,244,954
Call account and fixed deposit profit	2,817,156	1,359,596
Total investment income	16,448,180	14,604,550
Fair value (loss) / gain on investments at fair value through income statement	(551,005)	371,891
Impairment (charge) / reversal for investments at fair value through equity	(22,262)	128,938
Investment expenses of policyholders	(2,060,078)	(2,444,314)
Net investment income	<u>13,814,835</u>	<u>12,661,065</u>
Mudarib share*	<u>8,288,901</u>	<u>6,381,532</u>

* This represents management fee payable to the shareholders by the policyholders for managing the investments. The fees are calculated at a rate of 60% effective from 1 July 2021, prior to which it was calculated at the rate of 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 income statement as “Mudarib share”.

(b) Investment Income – Shareholders

	<i>2022</i> <i>QR</i>	<i>2021</i> <i>QR</i>
Investment profit	10,963,800	11,849,885
Call account and fixed deposit profit	754,563	507,961
Total investment income	11,718,363	12,357,846
Fair value (loss) / gain on investments at fair value through income statement	(1,014,537)	694,388
Impairment reversal for investments at fair value through equity	24,143	248,578
Investment expenses of shareholder	(325,316)	(1,514,368)
Net investment income	<u>10,402,653</u>	<u>11,786,444</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

22 OTHER EXPENSES

	<i>2022</i> <i>QR</i>	<i>2021</i> <i>QR</i>
Bank charges	1,647,903	1,226,351
Discounts and incentives	734,279	-
Legal and professional fees	625,607	-
Allocated expenses to policyholders	782,287	770,970
Others	323,559	769,456
	<u>4,113,635</u>	<u>2,766,777</u>

23 WAKALA FEE PERTAINING TO CONTRIBUTION

The Wakala fee is provided to shareholders at the rate of 25% (2021: 25% effective from 1 July 2021 and 20% up to 30 June 2021) of gross contribution for the year as approved by the Board and Shari’a supervisory board.

24 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2022</i> <i>QR</i>	<i>2021</i> <i>QR</i>
Technical fee	1,646,635	1,650,633
Insurance expenses	1,970,718	1,562,651
Board of directors’ remuneration	900,000	900,000
IT charges	1,536,740	800,026
Legal and professional fees	1,071,527	1,057,222
Write off for property, plant and equipment	-	952,695
Repair and maintenance expenses	1,479,237	1,510,351
Subscription fees	239,410	1,009,671
Postage and telephone	472,265	373,380
Printing and stationery	340,402	342,131
Rent	-	223,803
Shari’a board remuneration	575,000	165,000
Amortization of right of use asset	123,697	123,698
Withholding tax	-	89,600
Business promotion expenses	36,550	25,451
Other operating expenses (i)	1,123,818	765,188
	<u>11,515,999</u>	<u>11,551,501</u>

(i) Other operating expenses pertain to water, electricity and other expenses.

25 DIVIDENDS PAID

The cash dividend paid to Shareholders in respect of the year ended 31 December 2021, amounting to a total of QR 20,000,000 (2020: QR 20,000,000), was approved by the shareholders at the Annual General meeting on 10 March 2022.

26 CONTINGENCIES AND COMMITMENTS

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

	<i>2022</i> <i>QR</i>	<i>2021</i> <i>QR</i>
Bank guarantee	2,185,945	6,413,986
Performance bond	3,238,110	-
	<u>5,424,055</u>	<u>6,413,986</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

26 CONTINGENCIES AND COMMITMENTS (CONTINUED)

Legal Claims

The Company is subject to litigation and claims in the normal course of its business. The Company, based on independent legal advice, does not believe that the outcome of these court cases will have a material impact on the Company’s income or financial position.

27 INCOME TAX

The income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax law used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

The Company is subject to the applicable tax laws in the State of Qatar and accordingly liable for income tax on its taxable profits to the extent of the foreign shareholding percentage of its shareholders.

	2022 <i>QR</i>	2021 <i>QR</i>
<i>Current income tax</i>		
Current income tax charge	1,031,682	746,294
Prior period tax expense adjustment	<u>33,299</u>	<u>648,677</u>
	<u>1,064,981</u>	<u>1,394,971</u>

Below is the reconciliation between the accounting basis results and the tax basis results, and the computation of income tax charge is as follows:

	2022 <i>QR</i>	2021 <i>QR</i>
Accounting profit before tax	57,689,847	52,232,789
Add: Non-deductible expenses	2,997,306	1,457,427
Taxable Profit	<u>60,687,153</u>	<u>53,690,216</u>
<i>Less:</i>		
Qatari and GCC national residents in Qatar share of ownership and profit-sharing percentage	83%	86.10%
Deduction of amount of Qatari and GCC national residents in Qatar	<u>50,370,337</u>	<u>46,227,276</u>
Net Taxable Profit after deduction of Qatari / GCC national residents in Qatar	10,316,816	7,462,940
Effective income tax rate	<u>10%</u>	<u>10%</u>
Income tax payable	<u>1,031,682</u>	<u>746,294</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

28 SEGMENT INFORMATION

For management reporting purposes, the Company is organised into five business segments – Marine and Aviation, Motor Insurance, Fire & General Accidents, Takaful and Health Insurance and Investments. These sectors are the basis on which the Company reports its operating sector information. No operating segments have been aggregated in arriving at the reportable segment of the Company. This disclosure includes aggregated results for Policyholders and Shareholders.

Segment information for the year ended 31 December 2022

	<i>Marine & Aviation QR</i>	<i>Motor QR</i>	<i>Fire & General Accident QR</i>	<i>Takaful and Health QR</i>	<i>Investments income QR</i>	<i>Unallocated income and Expenses QR</i>	<i>Total QR</i>
Gross premiums	2,274,930	107,741,354	59,960,307	222,588,536	-	-	392,565,127
Premiums ceded to reinsurers	<u>(1,578,479)</u>	<u>(4,222,846)</u>	<u>(49,610,898)</u>	<u>(38,183,434)</u>	-	-	<u>(93,595,657)</u>
Net premiums	696,451	103,518,508	10,349,409	184,405,102	-	-	298,969,470
Movement in unearned contribution - net	<u>(30,654)</u>	<u>(2,288,242)</u>	<u>(292,933)</u>	<u>(29,050,261)</u>	-	-	<u>(31,662,090)</u>
Net earned premiums	665,797	101,230,266	10,056,476	155,354,841	-	-	267,307,380
Gross claims paid	(10,091)	(82,955,989)	(17,852,182)	(74,041,829)	-	-	(174,860,091)
Reinsurance recoveries	9,421	30,205,236	15,887,715	29,602,870	-	-	75,705,242
Movement in outstanding claims and IBNR - net	(18,440)	5,870,342	572,705	(5,110,737)	-	-	1,313,870
Net commissions	<u>98,323</u>	<u>(8,476,568)</u>	<u>1,598,678</u>	<u>(39,989,123)</u>	-	-	<u>(46,768,690)</u>
Net underwriting results	745,009	45,873,287	10,263,393	65,816,022	-	-	122,697,711
Net investment income	-	-	-	-	24,217,488	-	24,217,488
Other income	-	-	-	-	-	4,060,472	4,060,472
Finance costs	-	-	-	-	-	<u>(729,180)</u>	<u>(729,180)</u>
Total income	745,009	45,873,287	10,263,393	65,816,022	24,217,488	3,331,292	150,246,491
Operating and administrative expenses	-	-	-	-	-	(41,493,835)	(41,493,835)
Depreciation (Note 9)	-	-	-	-	-	<u>(6,459,262)</u>	<u>(6,459,262)</u>
Profit before tax	745,009	45,873,287	10,263,393	65,816,022	24,217,488	(44,621,805)	102,293,394

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

28 SEGMENT INFORMATION (CONTINUED)

Segment information for the year ended 31 December 2021

	<i>Marine & Aviation QR</i>	<i>Motor QR</i>	<i>Fire & General Accident</i>	<i>Takaful and Health QR</i>	<i>Investments income QR</i>	<i>Unallocated income and Expenses QR</i>	<i>Total QR</i>
Gross premiums	1,539,123	103,848,934	45,974,539	216,231,706	-	-	367,594,302
Premiums ceded to reinsurers	(973,343)	(2,056,354)	(36,468,890)	(34,796,764)	-	-	(74,295,351)
Net premiums	565,780	101,792,580	9,505,649	181,434,942	-	-	293,298,951
Movement in unearned contribution – net	40,484	4,425,968	(462,027)	(43,066,889)	-	-	(39,062,464)
Net earned premiums	606,264	106,218,548	9,043,622	138,368,053	-	-	254,236,487
Gross claims paid	(8,043)	(84,444,234)	(12,857,530)	(56,287,231)	-	-	(153,597,038)
Reinsurance recoveries	122,558	29,947,251	10,559,022	20,830,656	-	-	61,459,487
Movement in outstanding claims and IBNR - net	19,505	761,574	857,062	(3,669,931)	-	-	(2,031,790)
Net commissions	100,788	(8,713,115)	754,701	(36,031,412)	-	-	(43,889,038)
Net underwriting results	841,072	43,770,024	8,356,877	63,210,135	-	-	116,178,108
Net investment income	-	-	-	-	24,447,509	-	24,447,509
Other income	-	-	-	-	-	2,711,549	2,711,549
Finance costs	-	-	-	-	-	(182,238)	(182,238)
Total income	841,072	43,770,024	8,356,877	63,210,135	24,447,509	2,529,311	143,154,928
Operating and administrative expenses	-	-	-	-	-	(35,584,153)	(35,584,153)
Depreciation (Note 9)	-	-	-	-	-	(5,877,579)	(5,877,579)
Profit before tax	841,072	43,770,024	8,356,877	63,210,135	24,447,509	(38,932,421)	101,693,196

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

28 SEGMENT INFORMATION (CONTINUED)

Segment statement of financial position

Assets and liabilities of the Company are commonly used across the primary segments.

Geographic information

The Company operates in State of Qatar only.

Non-current assets for this purpose consist of property and equipment.

29 BASIC AND DILUTED EARNINGS PER SHARE

The basic and diluted earnings per share are calculated as follows:

	2022	2021
Earnings (QR.)		
Earnings for the purposes of basic/diluted earnings per share being net profit attributable to owners of the Company	<u>56,624,866</u>	<u>50,837,818</u>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic/diluted earnings per share	<u>200,000,000</u>	20,000,000
Effect of change in the nominal value per shares (refer note 1)	<u>-</u>	<u>180,000,000</u>
Weighted average number of ordinary shares for the purposes of basic/diluted earnings per share	<u>200,000,000</u>	<u>200,000,000</u>
Earnings per share (QR.)		
Basic/Diluted earnings per share	<u>0.28</u>	<u>0.25</u>

30 BOARD OF DIRECTORS' REMUNERATION

In accordance with the Articles of Association of the Company and the provisions of Qatar Commercial Companies Law No.11 of 2015, the Board of Directors' remuneration for the year 2022 has been proposed by the Board of Directors on their meeting dated February 21, 2023 at 2.5% of Shareholders' net profit for the year, amounting to QR 1,415,622 (2021: QR 900,000).

31 FINANCIAL INSTRUMENTS 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 are carried at cost and 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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

31 FINANCIAL INSTRUMENTS FAIR VALUES (CONTINUED)

The following table shows fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments carried at fair value. It does not include fair value hierarchy information for financial assets and financial liabilities not measured at fair value as the carrying amount is a reasonable approximation of fair value.

As at 31 December 2022, the Company held the following classes of financial instruments measured at fair value:

<i>31 December 2022</i>	<i>Level 1 QR</i>	<i>Level 2 QR</i>	<i>Level 3 QR</i>	<i>Total QR</i>
Investments at fair value through equity	879,868,077	-	-	879,868,077
Investments at fair value through income statement	<u>30,851,028</u>	<u>-</u>	<u>-</u>	<u>30,851,028</u>
	<u>910,719,105</u>	<u>-</u>	<u>-</u>	<u>910,719,105</u>
<i>31 December 2021</i>	<i>Level 1 QR</i>	<i>Level 2 QR</i>	<i>Level 3 QR</i>	<i>Total QR</i>
Investments at fair value through equity	796,465,849	-	-	796,465,849
Investments at fair value through income statement	<u>29,632,942</u>	<u>-</u>	<u>-</u>	<u>29,632,942</u>
	<u>826,098,791</u>	<u>-</u>	<u>-</u>	<u>826,098,791</u>

During the year ended 31 December 2022, 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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

32 FINANCIAL ASSETS AND LIABILITIES

Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of the Company’s financial assets and financial liabilities:

	<u>FVTPL</u>	<u>Mandatorily measured as at FVTPL</u>	<u>FVOCI – debt instruments</u>	<u>FVOCI – equity instruments</u>	<u>Amortised cost</u>	<u>Total carrying amount</u>	<u>Fair value*</u>
	QR.	QR.	QR.	QR.	QR.	QR.	QR.
<i>December 31, 2022</i>							
Cash and bank balances	-	-	-	-	372,177,003	372,177,003	-
Financial investments	30,851,028	-	-	879,868,077	-	910,719,105	910,719,105
Re-takaful contract assets	-	-	-	-	134,109,693	134,109,693	-
Takaful and other receivables	-	-	-	-	154,123,380	154,123,380	-
Due from related parties	-	-	-	-	8,063,798	8,063,798	-
Due from policyholders	-	-	-	-	62,207,402	62,207,402	-
	<u>30,851,028</u>	<u>-</u>	<u>-</u>	<u>879,868,077</u>	<u>730,681,276</u>	<u>1,641,400,381</u>	
Takaful contract liabilities	-	-	-	-	503,722,496	503,722,496	-
Murabaha Financing	-	-	-	-	240,221,005	240,221,005	-
Takaful and other payables	-	-	-	-	45,137,750	45,137,750	-
Due to related parties	-	-	-	-	217,188,431	217,188,431	-
Distributable surplus payable	-	-	-	-	57,461,171	57,461,171	-
Net Ijarah Liability	-	-	-	-	3,012,852	3,012,852	-
Due to shareholders	-	-	-	-	62,207,402	62,207,402	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,128,951,107</u>	<u>1,128,951,107</u>	

* Carrying amount of remaining financial instrument approximates their fair value.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

32 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Accounting classifications and fair values (continued)

The table below sets out the carrying amounts and fair values of the Company’s financial assets and financial liabilities:

	<i>FVTPL</i>	<i>Mandatorily measured as at FVTPL</i>	<i>FVOCI – debt instruments</i>	<i>FVOCI – equity instruments</i>	<i>Amortised cost</i>	<i>Total carrying amount</i>	<i>Fair value*</i>
	QR.	QR.	QR.	QR.	QR.	QR.	QR.
<i>December 31, 2021</i>							
Cash and bank balances	-	-	-	-	159,507,212	159,507,212	-
Financial investments	29,632,942	-	-	796,465,849	-	826,098,791	826,098,791
Re-takaful contract assets	-	-	-	-	140,109,191	140,109,191	-
Takaful and other receivables	-	-	-	-	130,238,238	130,238,238	-
Due from related parties	-	-	-	-	2,142,175	2,142,175	-
Due from policyholders	-	-	-	-	50,594,751	50,594,751	-
	<u>29,632,942</u>	<u>-</u>	<u>-</u>	<u>796,465,849</u>	<u>482,591,567</u>	<u>1,308,690,358</u>	
Takaful contract liabilities	-	-	-	-	475,170,914	475,170,914	-
Murabaha Financing	-	-	-	-	184,295,116	184,295,116	-
Takaful and other payables	-	-	-	-	32,582,072	32,582,072	-
Due to related parties	-	-	-	-	21,041,050	21,041,050	-
Distributable surplus payable	-	-	-	-	52,305,936	52,305,936	-
Net Ijarah Liability	-	-	-	-	3,041,505	3,041,505	-
Due to shareholders	-	-	-	-	50,594,751	50,594,751	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>819,031,344</u>	<u>819,031,344</u>	

* Carrying amount of remaining financial instrument approximates their fair value.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

33 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The below table details change in the Company’s liabilities arising from financing activities, including both cash and non-cash changes.

	At January 1, 2022	Financing cash flows	Other changes	At December 31, 2022
	QR.	QR.	QR.	QR.
Payment of distributable surplus to policyholders’ during the period	52,305,936	(3,327,778)	8,483,013	57,461,171
Dividends paid	-	(20,000,000)	20,000,000	-
Repayment of Gross liability	3,041,505	(183,820)	155,167	3,012,852
Murabaha finance	184,295,116	55,925,889	-	240,221,005
	<u>239,642,557</u>	<u>32,414,291</u>	<u>28,638,180</u>	<u>300,695,028</u>

	At January 1, 2021	Financing cash flows	Other changes	At December 31, 2021
	QR.	QR.	QR.	QR.
Payment of distributable surplus to policyholders’ during the period	44,984,807	(2,104,260)	9,425,389	52,305,936
Dividends paid	-	(20,000,000)	20,000,000	-
Repayment of Gross liability	-	(91,909)	3,133,414	3,041,505
Murabaha finance	288,480,631	(104,185,515)	-	184,295,116
	<u>333,465,438</u>	<u>(126,381,684)</u>	<u>32,558,803</u>	<u>239,642,557</u>

34 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 prior year.

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

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 2022 of 13% (2021: 4%) (see below) was in line with the target range.

Gearing ratio

The gearing ratio at year end was as follows:

	2022 QR	2021 QR
Debt (i)	240,221,005	184,295,116
Cash and bank balances	<u>(161,676,967)</u>	<u>(159,507,212)</u>
Net debt	78,544,038	24,787,904

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

34 CAPITAL MANAGEMENT (CONTINUED)

Gearing ratio (continued)

	2022 <i>QR</i>	2021 <i>QR</i>
Equity (ii)	<u>582,682,247</u>	<u>565,133,552</u>
Net debt to equity ratio	<u>13%</u>	<u>4%</u>

- (i) Debt is the long-term debt obtained as Murabaha Financing, as detailed in Note 13.
- (ii) Equity includes all capital and reserves of the policyholders and shareholders of the Company that are managed as capital.

35 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 Re-takaful 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.

Asset liability management (ALM) framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Company faces, due to the nature of its investments and liabilities, is profit rate risk. The Company manages these positions within an ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under takaful and investment contracts.

Regulatory framework

The Qatar Central Bank Executive Insurance Instructions provide the regulatory framework for the insurance / takaful companies in Qatar.

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters

The operations of the Company are also subject to regulatory requirements within the jurisdictions of the state of Qatar where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy) to minimize the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

35 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

RISK MANAGEMENT

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
- Re-takaful risk
- Credit risk
- Liquidity risk
- Market risks
- Equity risk

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 re-takaful 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 re-takaful purposes. Such re-takaful 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 re-takaful is affected under treaty, facultative and excess-of-loss re-takaful contracts.

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

Although the Company has re-takaful 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 Re-takaful is unable to meet its obligations assumed under such re-takaful agreements. The Company’s placement of re-takaful is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single re-takaful 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.

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

Key assumptions-Takaful risk

The principal assumption underlying the liability estimates is that the 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

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

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For the year ended 31 December 2022

35 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

RISK MANAGEMENT (CONTINUED)

Takaful risk (continued)

Key assumptions-Takaful risk (continued)

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. Process used to decide on assumptions:

The risks associated with these takaful contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. The exposure of the Company to claims associated with general takaful is material. This exposure is concentrated in Qatar where significant transactions take place.

The Company uses assumptions based on a mixture of internal and actuarial report to measure its general takaful related claims liabilities. Internal data is derived mostly from the Company’s monthly claims reports and screening of the actual takaful contracts carried out at year-end to derive data for the contracts held. The Company has reviewed the individual contracts and their actual exposure to claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims

The table below sets out the concentration of outstanding claims provision by type of contract:

	2022			2021		
	Gross reserves QR	Re-takaful reserves QR	Net reserves QR	Gross reserves QR	Re-takaful reserves QR	Net reserves QR
Motor	79,747,433	(42,744,691)	37,002,742	66,601,345	(27,931,122)	38,670,223
Marine and aviation	1,275,379	(1,002,116)	273,263	1,140,854	(886,031)	254,823
Fire and General accident	60,254,750	(50,429,395)	9,825,355	86,792,559	(76,394,498)	10,398,061
Takaful and health	47,099,332	(16,322,851)	30,776,481	37,564,465	(11,898,721)	25,665,744
	188,376,894	(110,499,053)	77,877,841	192,099,223	(117,110,372)	74,988,851

Sensitivity analysis

The reasonableness of the estimation process is tested by an analysis of sensitivity around several scenarios.

The sensitivity of the Company’s income to takaful risks is as follows:

	Change in assumptions	2022		2021	
		Impact on net earned contributions QR	Impact on equity QR	Impact on net earned contributions QR	Impact on equity QR
Loss ratio	+5%	(13,365,369)	(13,365,369)	(12,711,824)	(12,711,824)
	-5%	13,365,369	13,365,369	12,711,824	12,711,824

The sensitivity to a 5% increase/decrease in gross loss ratios is the same both net and gross of re-takaful as this increase does not result in any material excess of loss re-takaful limits being reached

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. The following table shows the estimated cumulative incurred claims, including

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

35 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

RISK MANAGEMENT (CONTINUED)

Claims development (continued)

claims notified for each successive accident year at the end of each reporting period, together with cumulative payments to date.

Claim Development Table – 2022

	2019 QR	2020 QR	2021 QR	2022 QR	Total QR
At end of the accident year	141,130,989	102,333,467	114,985,435	126,766,694	485,216,585
One year later	144,032,519	102,091,814	102,492,028	-	
Two years later	137,175,408	97,528,447	-	-	
Three years later	132,839,523	-	-	-	
Current estimate of cumulative claims incurred	132,839,523	97,528,447	102,492,028	126,766,694	459,626,692
Cumulative payments to date	(126,386,595)	(89,419,848)	(90,545,564)	(79,687,013)	(386,039,020)
Net outstanding claims provision	6,452,928	8,108,599	11,946,464	47,079,681	73,587,672
Reserve in respect of prior years (Before 2019)					4,290,168
Total net outstanding claims report and unsettled and incurred but not reported	-	-	-	-	77,877,840
Current estimate of surplus/(deficiency)	8,291,466	4,805,020	12,493,406		
% Surplus/ (deficiency) of initial reserve	6.2%	4.9%	12.2%		

Claim Development Table – 2021

	2018 QR	2019 QR	2020 QR	2021 QR	Total QR
At end of the accident year	170,458,751	141,130,989	102,333,467	114,985,435	528,908,642
One year later	180,102,524	144,032,519	102,091,814	-	
Two years later	173,134,912	137,175,408	-	-	
Three years later	169,560,575	-	-	-	
Current estimate of cumulative claims incurred	169,560,575	137,175,408	102,091,814	114,985,435	523,813,232
Cumulative payments to date	(165,930,397)	(125,831,933)	(86,941,928)	(72,667,828)	(451,372,086)
Net outstanding claims provision	3,630,178	11,343,475	15,149,886	42,317,607	72,441,146
Reserve in respect of prior years (Before 2018)					2,547,705
Total net outstanding claims report and unsettled and incurred but not reported	-	-	-	-	74,988,851
Current estimate of surplus/(deficiency)	520,473	3,955,582	241,653		
% Surplus/ (deficiency) of initial reserve	0.3%	2.9%	0.2%		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

35 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

RISK MANAGEMENT (CONTINUED)

Re-takaful 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 re-takaful purposes. Such re-takaful 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 re-takaful contracts.

To minimise its exposure to significant losses from re-takaful 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.

Re-takaful 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 re-takaful to the extent that the reinsurer fails to meet the obligations under the re-takaful 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:

Reinsurance arrangements are affected with reinsurers whose creditworthiness is assessed on the basis of satisfying minimum rating and financial strength criteria. Reinsurance is made with different reinsurance companies in order to reduce the risk of concentration.

The Company’s exposure to credit risk is limited to the carrying amount of financial assets recognised at the statement of financial position date. Premium receivables comprise a large number of customers mainly within the State of Qatar. Five companies account for 41.7% of the accounts receivable as of December 31, 2022 (2021: 20.62%). Five reinsurance companies account for 52.6% of the reinsurance receivables as of December 31, 2022 (2021: 9.11%).

The Company continuously monitors defaults of customers and other counterparties and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties. The Company's management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

35 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Age analysis of financial assets at amortised cost

	< 30 days QR	31 to 60 days QR	61 to 90 days QR	91 days and above QR	Total QR
31 December 2022					
Cash and bank balances	372,177,003	-	-	-	372,177,003
Due from related parties	4,328,491	513,217	-	3,222,090	8,063,798
Takaful and other receivables	75,902,296	7,298,020	10,361,237	60,561,827	154,123,380
Prepayments and other receivables	-	-	3,706,844	-	3,706,844
Re-takaful contract assets	-	-	-	134,109,693	134,109,693
Total	452,407,790	7,811,237	14,068,081	197,893,610	672,180,718
	< 30 days QR	31 to 60 days QR	61 to 90 days QR	91 days and above QR	Total QR
31 December 2021					
Cash and bank balances	159,207,212	-	-	-	159,207,212
Due from related parties	-	-	2,142,175	-	2,142,175
Takaful and other receivables	63,958,600	4,451,308	3,300,453	58,527,877	130,238,238
Prepayments and other receivables	-	-	2,002,013	-	2,002,013
Re-takaful contract assets	-	-	-	140,109,191	140,109,191
Total	223,165,812	4,451,308	7,444,641	198,637,068	433,698,829

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 summarizes 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 Re-takaful share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

35 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

<i>31 December 2022</i>	<i>Up to a year QR</i>	<i>1 to 5 years QR</i>	<i>Total QR</i>
Financial assets			
Investments at fair value through equity	-	879,868,077	879,868,077
Investments at fair value through income statement	30,851,028	-	30,851,028
Due from related parties	8,063,798	-	8,063,798
Takaful and other receivables	154,123,380	-	154,123,380
Prepayments and other receivables	3,706,844	-	3,706,844
Re-takaful contract assets	134,109,693	-	134,109,693
Due from policyholders	62,207,402	-	62,207,402
Cash and bank balances	372,177,003	-	372,177,003
Total	765,239,148	879,868,077	1,645,107,225
Financial liabilities			
Due to related parties	217,188,431	-	217,188,431
Takaful contract liabilities	503,722,496	-	503,722,496
Murabaha finance	-	240,221,005	240,221,005
Distributable surplus payable	57,461,171	-	57,461,171
Due to shareholders	62,207,402	-	62,207,402
Provisions and other payables	55,653,354	-	55,653,354
Takaful and other payables	45,137,750	-	45,137,750
Total	941,370,604	240,221,005	1,181,591,609
<i>31 December 2021</i>	<i>Up to a year QR</i>	<i>1 to 5 years QR</i>	<i>Total QR</i>
Financial assets			
Investments at fair value through equity	-	796,465,849	796,465,849
Investments at fair value through income statement	29,632,942	-	29,632,942
Due from related parties	2,142,175	-	2,142,175
Takaful and other receivables	130,238,238	-	130,238,238
Prepayments and other receivables	2,002,013	-	2,002,013
Re-takaful contract assets	140,109,191	-	140,109,191
Due from policyholders	50,594,751	-	50,594,751
Cash and bank balances	159,507,212	-	159,507,212
Total	514,226,522	796,465,849	1,310,692,371
Financial liabilities			
Due to related parties	21,041,050	-	21,041,050
Takaful contract liabilities	475,170,914	-	475,170,914
Murabaha finance	-	184,295,116	184,295,116
Distributable surplus payable	52,305,936	-	52,305,936
Due to shareholders	50,594,751	-	50,594,751
Provisions and other payables	49,945,905	-	49,945,905
Takaful payables	32,582,072	-	32,582,072
Total	681,640,628	184,295,116	865,935,744

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

35 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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 States 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

Profit rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market rates.

The Company invests in securities and has deposits that are subject to profit rate risk. Profit rate risk to the Company is the risk of changes in market profit rates reducing overall return on its profit bearing securities. The Company limits profit rate risk by monitoring changes in profit rates.

	<i>Change in assumption</i>	<i>2022 QR</i>	<i>2021 QR</i>
Income from bank deposit and investments carried at amortized cost	+5%	<u>65,608</u>	<u>47,028</u>

Operational risks

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. The Company has detailed systems and procedures manuals with effective segregation of duties, access controls, authorisation and reconciliation procedures, staff training and assessment processes etc. with an effective compliance and internal audit framework. Business risks such as changes in environment, technology and the industry are monitored through the Company’s strategic planning and budgeting process.

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.

36 ZAKAT

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

37 PRIOR PERIOD ADJUSTMENT

Prior period adjustment comprises of net realised investment income which had been inadvertently omitted over the years but was recognized in March 2022. The income relates to dividend income on equity portfolio liquidated in April 2019. It has been adjusted from opening balance of accumulated surplus of policyholders and retained earnings of shareholders for the year ended 31 December 2022. Details of this are set out below:

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

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For the year ended 31 December 2022

37 PRIOR PERIOD ADJUSTMENT (CONTINUED)

	<i>QR</i>
Policyholders	
Realised dividend on equity portfolio	2,853,245
Less: Investment fee	<u>(230,000)</u>
	2,623,245
Less: Mudarib share	<u>(1,049,298)</u>
Net adjustment	1,573,947
Shareholders	
Realised dividend on equity portfolio	2,859,669
Less: Investment fee	<u>(389,000)</u>
	2,470,669
Add: Mudarib share from policyholders	<u>1,049,298</u>
Net adjustment	3,519,967
	<u><u>5,093,914</u></u>

38 SHARI'A SUPERVISORY BOARD

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

39 SUBSEQUENT EVENTS

The shares of the Company were listed for trading at the Qatar Stock Exchange on 16 January 2023.

Consequently, the interest held by Qatar Islamic Bank Q.S.P.C., Qatar Insurance Company Q.S.P.C., Masraf Al Rayan Q.S.P.C., Barwa Real Estate Company Q.S.P.C. and Q-Invest LLC, in the Company, has been reduced by 25% and offered to other shareholders. (Refer note 1)

40 PROPOSED CASH DIVIDENDS

The Board of Directors held a meeting on February 21, 2023 and approved a cash dividend of 16% of the share capital amounting to QR 0.16 per share totalling to QR 32,000,000 for the year ended December 31, 2022 which are subject to the approval by the General Assembly of the Company's Shareholders.