

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

FINANCIAL STATEMENTS

31 DECEMBER 2019

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

Report on the audit of the financial statements

We have audited the accompanying statements of financial position of Damaan Islamic Insurance Company "BEEMA" (Q.P.S.C.) (the "Company") as at 31 December 2019 and the related statements of policyholder' revenues and expenses, policyholders' surplus, shareholders' income statement, changes in shareholders' equity and statement of cash flows for the financial year then ended and a summary of significant accounting policies and other explanatory information. These financial statements and the Company's undertaking to operate in accordance with Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board are the responsibility of the Bank's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2019 and its financial performance and cash flows for the year then ended in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions "AAOIFI", Islamic Shari'a Rules and Principles and Qatar Central Bank's regulations.

Other matter

The financial statements of the Company for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 25 February 2019.

Report on Other Legal and Regulatory Requirements

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

Ahmed Sayed

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

Date: 3 February 2020
Doha



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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 QR	2018 QR
Policyholders' assets			
Cash and bank balances	5	153,815,432	96,402,098
Investments at fair value through equity	6	347,253,890	337,177,564
Due from related parties	7 (b)	12,694,920	3,477,246
Retakaful contract assets	8	102,383,972	96,894,234
Takaful and other receivables	10	136,552,877	125,328,751
Total policyholders' assets		752,701,091	659,279,893
Shareholders' assets			
Cash and bank balances	5	30,699,800	12,150,358
Investments at fair value through equity	6	359,986,820	356,638,912
Prepayments and other receivables	10	967,329	1,854,667
Due from policyholders		84,184,867	65,507,885
Property and equipment	9	110,392,129	88,763,040
Total shareholders' assets		586,230,945	524,914,862
Total assets		1,338,932,036	1,184,194,755
Liabilities and surplus of policyholders			
Takaful contract liabilities	8	398,165,419	361,646,516
Due to related parties	7 (c)	4,686,194	1,400,708
Takaful and other payables	14	43,908,956	38,575,362
Murabaha finance	11	142,899,457	136,296,270
Due to shareholders		84,184,867	65,507,885
Distributable surplus payable	15	36,030,755	30,313,124
Policyholders' equity		42,825,443	25,540,028
Total liabilities and surplus of policyholders		752,701,091	659,279,893
Shareholders' liabilities			
Provisions and other payables	14	33,940,389	29,254,143
Due to related parties	7 (c)	4,585,322	4,015,098
Murabaha finance	11	158,677,650	138,705,573
Employees' end of service benefits	17	2,008,453	1,832,919
Total shareholders' liabilities		199,211,814	173,807,733
Shareholders' equity			
Share capital	12	200,000,000	200,000,000
Legal reserve	13	104,189,843	100,000,000
Fair value reserve		182,725	(13,830,849)
Retained earnings		82,646,563	64,937,978
Total shareholders' equity		387,019,131	351,107,129
Total shareholders' liabilities and equity		586,230,945	524,914,862
TOTAL LIABILITIES, SURPLUS OF POLICYHOLDERS' AND SHAREHOLDERS' EQUITY		1,338,932,036	1,184,194,755

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

Khalifa Abdulla Turki Al Subaey
Managing Director

The attached notes 1 to 29 form 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 2019

	Notes	2019 QR	2018 QR
Gross contributions	18	339,195,142	332,094,258
Re-Takaful share	18	(61,525,296)	(43,952,554)
Net contributions		277,669,846	288,141,704
Changes in unearned contribution – net	18	(20,409,955)	6,317,639
Net earned contributions		257,259,891	294,459,343
Gross claims paid	18	(201,165,813)	(232,952,382)
Re-Takaful and other recoveries	18	59,603,631	53,144,875
Movement in outstanding claims and IBNR – net	8, 18	(10,619,210)	(103,561)
Commission expense, net	18, 19	(36,946,429)	(37,462,596)
Net takaful expenses		(189,127,821)	(217,375,664)
Surplus from Takaful operations	18	68,132,070	77,083,679
Investment income	20 (a)	12,275,562	8,782,253
Investment expenses	20 (a)	(2,630,367)	(2,778,272)
Mudarib share	20 (a)	(3,858,077)	(2,401,593)
Provisions for bad debts	10	(2,602,285)	-
Wakala fees		(60,066,307)	(61,419,623)
Other income		2,294,694	2,739,755
Other expenses	21	(1,966,775)	(1,891,802)
Total surplus for the year		11,578,515	20,114,397

The attached notes 1 to 29 form part of these financial statements.

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

STATEMENT OF POLICYHOLDERS' SURPLUS

For the year ended 31 December 2019

	<i>Note</i>	<i>Retained surplus QR</i>	<i>Equalization reserve QR</i>	<i>Total QR</i>
As at 1 January 2018		19,050,365	-	19,050,365
Surplus for the year		20,114,397	-	20,114,397
Distributions to policyholders during the year		(8,895,524)	-	(8,895,524)
Transfer to equalization reserve during the year	16	(10,000,000)	10,000,000	-
Net change in fair value of investments at fair value through equity		<u>(4,729,210)</u>	<u>-</u>	<u>(4,729,210)</u>
As at 31 December 2018		15,540,028	10,000,000	25,540,028
Surplus for the year		11,578,515	-	11,578,515
Distributions to policyholders during the year		(10,244,527)	-	(10,244,527)
Net change in fair value of investments at fair value through equity		<u>15,951,427</u>	<u>-</u>	<u>15,951,427</u>
As at 31 December 2019		<u>32,825,443</u>	<u>10,000,000</u>	<u>42,825,443</u>

The attached notes 1 to 29 form part of these financial statements.

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

SHAREHOLDERS' INCOME STATEMENT

For the year ended 31 December 2019

	<i>Notes</i>	<i>2019</i> <i>QR</i>	<i>2018</i> <i>QR</i>
Income			
Income from shareholders' investments	20 (b)	10,072,649	9,130,614
Wakala fee		60,066,307	61,419,623
Mudarib share	20 (a)	3,858,077	2,401,593
Other income		18,495	30,569
Total income		74,015,528	72,982,399
Expenses			
Staff costs		(18,020,861)	(18,155,387)
Depreciation of property and equipment	9	(740,531)	(1,009,932)
General and administrative expenses	22	(11,218,937)	(10,241,029)
Finance costs		(104,423)	(52,191)
Investment expenses		(2,032,348)	(1,706,347)
Total expenses		(32,117,100)	(31,164,886)
Profit for the year		41,898,428	41,817,513

The attached notes 1 to 29 form part of these financial statements.

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2019

	Share capital QR	Legal reserve QR	Fair value reserve QR	Retained earnings QR	Total QR
As at 1 January 2018	200,000,000	22,387,577	(10,201,589)	120,732,888	332,918,876
Total comprehensive income for the year	-	-	(3,629,260)	41,817,513	38,188,253
Dividends paid (Note 23)	-	-	-	(20,000,000)	(20,000,000)
Transfer to legal reserve	-	77,612,423	-	(77,612,423)	-
As at 31 December 2018	200,000,000	100,000,000	(13,830,849)	64,937,978	351,107,129
Total comprehensive income for the year	-	-	14,013,574	41,898,428	55,912,002
Dividends paid (Note 23)	-	-	-	(20,000,000)	(20,000,000)
Transfer to legal reserve (Note 13)	-	4,189,843	-	(4,189,843)	-
As at 31 December 2019	200,000,000	104,189,843	182,725	82,646,563	387,019,131

The attached notes 1 to 29 form part of these financial statements.

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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 QR	2018 QR
OPERATING ACTIVITIES			
Shareholders' profit for the year		41,898,428	41,817,513
Policyholders' surplus for the year		11,578,515	20,114,397
<i>Adjustments for:</i>			
Depreciation for property and equipment	9	740,531	1,009,932
Realized gain from investments		(10,072,649)	15,605,957
Provisions for bad debts		2,602,285	
Impairment on property and equipment	20	145,000	-
Gain on disposal of property and equipment		-	(14,489)
Provision for employees' end of service benefits	17	301,429	323,582
Operating profit before working capital changes		47,193,539	78,856,892
Due from related parties		(9,217,674)	1,741,384
Prepayments, Takaful and other receivables		(12,939,073)	5,054,739
Due to related parties		3,855,710	(9,825,095)
Net Takaful contract liabilities		31,029,165	(6,212,081)
Provisions, Takaful and other payables		10,019,840	5,247,241
Cash flow from operating activities		69,941,507	74,863,080
End of service benefits paid	17	(125,895)	(93,989)
Net cash flows from operating activities		69,815,612	74,769,091
INVESTING ACTIVITIES			
Acquisition of property and equipment	9	(22,519,125)	(30,857,362)
Proceeds from sale of property and equipment		4,505	41,360
Net movement in investments		26,613,416	(49,938,663)
Net cash flows from / (used in) investing activities		4,098,796	(80,754,665)
FINANCING ACTIVITIES			
Policyholders' surplus paid during the year	15	(4,526,896)	(4,457,488)
Dividends paid	23	(20,000,000)	(20,000,000)
Murabaha finance		26,575,264	(5,973,638)
Net cash flows from / (used in) financing activities		2,048,368	(30,431,126)
Increase / (Decrease) in cash and cash equivalents		75,962,776	(36,416,700)
Cash and cash equivalents at the beginning of the year		108,552,456	144,969,156
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	184,515,232	108,552,456

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

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019.

1 LEGAL STATUS AND OPERATIONS

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

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

The financial statements of the Company for the year ended 31 December 2019 were approved by the Board of Directors on 3 February 2020.

2 BASIS OF PREPARATION

Statement of compliance

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

Principal financial statements

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

Basis of preparation

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

New standards and interpretations

New standards, amendments and interpretations effective from 1 January 2019

FAS 28 Murabaha and Other Deferred Payment Sales

AAOIFI has issued FAS 28 Murabaha and Other Deferred Payment Sales in 2017. FAS 28 supersedes the earlier FAS No. 2 "Murabaha and Murabaha to the Purchase Orderer" and FAS No. 20 "Deferred Payment Sale". The objective of this standard is to prescribe the appropriate accounting and reporting principles for recognition, measurement and disclosures in relation to Murabaha and other deferred payment sales transactions for the sellers and buyers, for such transactions. This standard is effective for the financial periods beginning on or after 1 January 2019 with early adoption permitted.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards and interpretations (continued)

New standards, amendments and interpretations effective from 1 January 2019 (continued)

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

AAOIFI has issued FAS 31 Investment Agency (Al-Wakala Bi Al-Istithmar) in 2018. The objective of this standard is to establish the principles of accounting and financial reporting for the investment agency (Al-Wakala Bi Al-Istithmar) instruments and the related assets and obligations from both the principal (investor) and the agent perspectives. This standard shall be effective for the financial periods beginning on or after 1 January 2020 with early adoption permitted.

The Company is currently evaluating the impact of this standard.

Standards issued but not yet effective

FAS 33 "Investments in Sukuk, shares and similar instruments"

AAOIFI's Accounting Board (AAB) issued FAS 33 "Investments in Sukuk, shares and similar instruments" supersedes the AAOIFI's Accounting Board (AAB) issued FAS 25 "Investment in Sukuk, Shares and Similar Instruments" in December 2018. The standard defines the key types of instruments of Sharia' compliant investments and defines the primary accounting treatments commensurate to the characteristics and business model of the institution under which the investments are made, managed and held. The standard shall be effective from the financial periods beginning on or after 1 January 2020. Early adoption is permitted.

The Company is currently evaluating the impact of this standard.

FAS 34 – Financial Reporting for Sukuk-holders

AAOIFI has issued FAS 34 Financial reporting for Sukuk-holders in 2019. The objective of this standard is to establish the principles of accounting and financial reporting for assets and business underlying the Sukuk to ensure transparent and fair reporting for all stakeholders particularly Sukuk-holders. This standard shall be effective for the financial periods beginning on or after 1 January 2020 with early adoption permitted.

The Company is currently evaluating the impact of this standard.

FAS 35 Risk Reserves

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

The Company is currently evaluating the impact of this standard.

FAS 30, "Impairment, Credit Losses and Onerous Commitments"

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

FAS 30 classifies assets and exposures into three categories based on the nature of risks involved (i.e. credit risk and other risks) and prescribes three approaches for assessing losses for each of these categories of assets: 1) Credit Losses approach, 2) Net Realizable Value approach ("NRV") and 3) Impairment approach.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards and interpretations (continued)

Standards issued but not yet effective (continued)

FAS 30, "Impairment, Credit Losses and Onerous Commitments" (continued)

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

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

The standard shall be effective from the financial periods beginning on or after 1 January 2020. Early adoption is permitted. The Company is currently assessing the impact of the standard.

IFRS 17 "Insurance contracts" with effect from January 1, 2022

IFRS 17 provides guidance on accounting for insurance contracts. For general insurance contracts, IFRS 17 introduces new accounting estimates such as mandatory discounting of loss reserves expected to be paid in more than one year, risk adjustment and related confidence level equivalent disclosure. IFRS 17 is expected to have material impact on the long-term policies written by the Company as well as revenue recognition under insurance contracts. The Company is in the process of performing an impact analysis for its insurance products as well as documentation of changes to the Company's accounting policies. It is not practical to disclose the impact of applying the IFRS 17 on these financial statements due to technical complexity. The standard shall be effective from the financial periods beginning on or after 1 January 2022. Early adoption is permitted.

The Company is currently assessing the impact of the standard.

Revenue recognition

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

Gross contributions

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

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

Re-takaful share of gross contributions

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

Net commission expenses and advance commission fee

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

Islamic deposits

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Wakala fee

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

Mudarib share

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

Dividends income

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

Claims

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

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

Takaful contract liabilities

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

Unearned contributions provision

Unearned contributions provision represents the portion of premium received or receivable after deduction of the re-takaful share and commission expense which relates to the period subsequent to the reporting date. The provision is calculated in accordance with the pattern of insurance service provided under the contract (365th method). Under this method, the unearned contribution provision is recognised to cover the proportion of retained premiums written in a year which relate to the period of risk.

The reserve for unexpired risks represents the estimated portion of net contribution income, after deduction of the retakaful share which relates to the period subsequent to the reporting date.

For Takaful (Credit Life) business the unexpired risks reserve is determined based on an actuarial valuation.

Provision for outstanding claims

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

Claims incurred but not reported (IBNR)

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Takaful contract liabilities (continued)

Claims incurred but not reported (IBNR) (continued)

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

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

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

Surplus in policyholders' funds

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

Financial Instruments

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

Financial assets

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

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

Investments at fair value through income statement

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

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

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

Investments at fair value through equity - Quoted

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

Investments at fair value through equity - Unquoted

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

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Contributions receivable

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

Impairment of financial assets

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

- (a) For assets carried at fair value, impairment is the difference between cost and fair value less any impairment loss previously recognized in the income statement;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

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

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

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

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

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

In respect of investments at fair value through equity - equity securities, impairment losses previously recognised through the income statement are not reversed through the income statement. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of investments at fair value through equity - debt securities, impairment losses are subsequently reversed through the income statement if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

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

Accounts and other payable

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Derecognition of financial liabilities

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

Re-takaful

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

Re-takaful assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the re-takaful asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measureable impact on the amounts that the Company will receive from the 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 expenses in the same manner as they would be if the re-takaful were considered direct business, taking into account the product classification of the reinsured business.

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

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

Property and equipment

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

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

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:

Furniture and equipment	6-7 years
Computer equipment	3 years
Motor vehicles	5 years
All other assets	5 years

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

Freehold land and construction work in progress are not depreciated.

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of nonfinancial assets

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

Provisions

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

Employees' End of service benefits

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

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

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

Provision for outstanding claims

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

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

Foreign currency transactions

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

Fair values

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

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

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

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

4 CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION

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

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

Claims made under takaful contracts

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

Classification of investments

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

Impairment of tangible assets

The Company's management tests whether tangible assets have suffered impairment in accordance with accounting policies stated in Note 3. The recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

Tangible assets useful lives

The Company's management determines the useful lives and related depreciation or amortization charge. The depreciation or amortization charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

Impairment of contributions receivable

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

Impairment of investments at fair value through equity

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

Liability adequacy test

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

Going concern

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

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

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:

	2019 QR	2018 QR
Shareholders:		
Investment deposits (Islamic banks)	30,304,268	10,304,518
Saving accounts (Islamic banks)	310,856	1,793,681
Current accounts	84,676	52,159
Total	30,699,800	12,150,358
Policyholders:		
Investment deposits (Islamic banks)	76,019,174	48,050,034
Saving accounts (Islamic banks)	70,645,581	45,338,347
Current accounts	7,150,677	3,013,717
Total	153,815,432	96,402,098
Total cash and bank balances	184,515,232	108,552,456
Less: deposits with original maturity over ninety days	(3,300,000)	(3,300,000)
Total cash and cash equivalents of the year	181,215,232	105,252,456

- Investment deposits earn profit at rates ranging from 2.25% to 4.25% (2018: 2.10% to 4.25%).
- Saving accounts earn profit at rates ranging from 0.90% to 1.00% (2018: 0.90% to 1.00%).

6 INVESTMENTS AT FAIR VALUE THROUGH EQUITY

	2019 QR	2018 QR	
Managed funds	707,240,710	689,316,476	
Unquoted securities	-	4,500,000	
	707,240,710	693,816,476	
	<i>Policyholders</i> QR	<i>Shareholders</i> QR	<i>Total</i> QR
Managed funds	344,432,030	360,825,975	705,258,005
Fair value reserve	2,821,860	182,725	3,004,585
Accumulated provision for impairment (Note 1)	-	(1,021,880)	(1,021,880)
Managed funds at fair value:	347,253,890	359,986,820	707,240,710
Investments at fair value through equity as at 31 December 2019	347,253,890	359,986,820	707,240,710
Investments at fair value through equity as at 31 December 2018	337,177,564	356,638,912	693,816,476

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

6 INVESTMENTS AT FAIR VALUE THROUGH EQUITY (CONTINUED)

Note:

(i) The Company did not recognize impairment loss during the year.

The fair value of equity investments pledged against the Murabaha financing taken by the Company amounted to QR 301,577,107 (2018: QR 275,001,843).

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

7 RELATED PARTY DISCLOSURES

(a) Transactions with related parties

These represent transactions with related parties, i.e. parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions and directors of the Company and entities of which they are key management personnel. Pricing policies and terms of these transactions are approved by the Company management and are negotiated under normal commercial terms.

The following transactions were carried out with related parties:

	2019 QR	2018 QR
<i>Takaful contribution written</i>		
Qatar Islamic Bank "shareholder"	132,230,004	107,171,743
Others	27,414,356	23,561,496
	<u>159,644,360</u>	<u>130,733,239</u>
<i>Claims Paid</i>		
Qatar Islamic Bank "shareholder"	21,639,115	23,281,550
Others	10,359,230	11,623,550
	<u>31,998,345</u>	<u>34,905,100</u>

(b) Due from related parties

	2019 QR	2018 QR
Qatar Islamic Bank Q.P.S.C. "shareholder"	-	338,659
Barwa Real Estate Company Q.P.S.C. "shareholder"	-	1,047,064
Q-Invest L.L.C. "shareholder"	-	548,194
Qatar Insurance Company Q.P.S.C. "shareholder"	8,784,075	-
Masraf Al Rayyan Q.P.S.C. "shareholder"	3,910,845	1,543,329
	<u>12,694,920</u>	<u>3,477,246</u>

(c) Due to related parties

Policyholders

	2019 QR	2018 QR
Qatar Insurance Company Q.P.S.C. "shareholder"	-	1,400,708
Q-Invest L.L.C. "shareholder"	209,244	-
Barwa Real Estate Company Q.P.S.C. "shareholder"	546,209	-
Qatar Islamic Bank Q.P.S.C. "shareholder"	3,930,741	-
	<u>4,686,194</u>	<u>1,400,708</u>

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

7 RELATED PARTY DISCLOSURES (CONTINUED)

(c) Due to related parties (continued)

Shareholders

	2019 <i>QR</i>	2018 <i>QR</i>
Qatar Islamic Bank Q.P.S.C. "shareholder"	<u>4,585,322</u>	<u>4,015,098</u>
	<u>4,585,322</u>	<u>4,015,098</u>

(d) Compensation of key management personnel

	2019 <i>QR</i>	2018 <i>QR</i>
Short term benefits	2,806,913	2,572,904
Board of directors' remuneration	<u>900,000</u>	<u>900,000</u>
	<u>3,706,913</u>	<u>3,472,904</u>

8 TAKAFUL CONTRACT LIABILITIES AND RETAKAFUL CONTRACT ASSETS

	2019 <i>QR</i>	2018 <i>QR</i>
<i>Gross Takaful contract liabilities</i>		
Claims reported unsettled	143,909,326	132,490,505
Claims incurred but not reported	25,739,335	27,483,647
Unearned contributions	<u>228,516,758</u>	<u>201,672,364</u>
Total	<u>398,165,419</u>	<u>361,646,516</u>
<i>Retakaful share of takaful liabilities</i>		
Claims reported unsettled	75,238,010	74,739,688
Claims incurred but not reported	6,305,187	7,748,210
Unearned contributions	<u>20,840,775</u>	<u>14,406,336</u>
Total	<u>102,383,972</u>	<u>96,894,234</u>
<i>Net Takaful liabilities</i>		
Claims reported unsettled	68,671,316	57,750,817
Claims incurred but not reported	19,434,148	19,735,437
Unearned contributions	<u>207,675,983</u>	<u>187,266,028</u>
Total	<u>295,781,447</u>	<u>264,752,282</u>

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

9 PROPERTY AND EQUIPMENT

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

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

9 PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold land QR	Construction work-in- progress QR	Furniture and equipment QR	Computer equipment QR	Fixtures and fittings QR	Motor vehicle QR	Total QR
Cost:							
As at 1 January 2018	39,746,218	17,325,184	1,809,709	5,861,989	4,329,103	1,185,624	70,257,827
Additions during the year	-	30,111,151	104,191	376,490	6,530	259,000	30,857,362
Disposals	-	-	-	-	-	(57,500)	(57,500)
As at 31 December 2018	39,746,218	47,436,335	1,913,900	6,238,479	4,335,633	1,387,124	101,057,689
Accumulated Depreciation:							
At 1 January 2018	-	-	1,428,094	5,284,627	3,920,763	681,862	11,315,346
Charge for the year	-	-	141,538	560,380	119,006	189,008	1,009,932
Disposals	-	-	-	-	-	(30,629)	(30,629)
As at 31 December 2018	-	-	1,569,632	5,845,007	4,039,769	840,241	12,294,649
Net carrying value:							
As at 31 December 2018	39,746,218	47,436,335	344,268	393,472	295,864	546,883	88,763,040

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

10 PREPAYMENTS, TAKAFUL AND OTHER RECEIVABLES

	2019 QR	2018 QR
Due from retakaful	21,700,591	29,818,495
Contribution receivable *	64,433,679	64,296,244
Other receivables and prepayments	<u>53,988,221</u>	<u>38,123,418</u>
	140,122,491	132,238,157
Provisions for bad debts	<u>(2,602,285)</u>	<u>-</u>
	<u>137,520,206</u>	<u>132,238,157</u>

Notes

* Contribution receivable comprise a large number of customers mainly within the State of Qatar. Eight companies account for 44% of the receivables as of 31 December 2019 (2018: 43%).

As at 31 December 2019, contribution receivable and due from retakaful of QR 2,602,285 (2018: nil) were impaired and fully provided for. The movement in the provisions for bad debts is as follows:

	2019 QR	2018 QR
As at 1 January	-	-
Provided during the year	<u>2,602,285</u>	<u>-</u>
As at 31 December	<u>2,602,285</u>	<u>-</u>

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

	2019 QR	2018 QR
Shareholders receivables - net	967,329	1,854,667
Policyholders receivables - net	<u>136,552,877</u>	<u>125,328,751</u>
	<u>137,520,206</u>	<u>127,183,418</u>

11 MURABAHA FINANCE

	2019 QR	2018 QR
As at 1 January	275,001,843	280,975,481
Net movement during the year	<u>26,575,264</u>	<u>(5,973,638)</u>
As at 31 December	<u>301,577,107</u>	<u>275,001,843</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 all the bank accounts of the Company and is repayable within 1 year.

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

11 MURABAHA FINANCE (CONTINUED)

	<i>2019</i> <i>QR</i>	<i>2018</i> <i>QR</i>
Murabha Finance - Shareholders	158,677,650	138,705,573
Murabha Finance - Policyholders	<u>142,899,457</u>	<u>136,296,270</u>
	<u>301,577,107</u>	<u>275,001,843</u>

12 SHARE CAPITAL

	<i>Authorized, issued and fully paid up 2019</i>	<i>Authorized, issued and fully paid up 2018</i>
Share capital (QR)	<u>200,000,000</u>	<u>200,000,000</u>
Number of shares of QR 10 each	<u>20,000,000</u>	<u>20,000,000</u>

13 LEGAL RESERVE

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

14 PROVISIONS, TAKAFUL AND OTHER PAYABLES

	<i>2019</i> <i>QR</i>	<i>2018</i> <i>QR</i>
Due to retakaful	12,009,134	9,412,238
Contribution payable	4,772,795	3,460,973
Provisions and other payables	<u>61,067,416</u>	<u>54,956,294</u>
	<u>77,849,345</u>	<u>67,829,505</u>
	<i>2019</i> <i>QR</i>	<i>2018</i> <i>QR</i>
Shareholders payable	33,940,389	29,254,143
Policyholders payable	<u>43,908,956</u>	<u>38,575,362</u>
	<u>77,849,345</u>	<u>67,829,505</u>

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

15 DISTRIBUTABLE SURPLUS PAYABLE

	<i>2019</i> <i>QR</i>	<i>2018</i> <i>QR</i>
Balance at 1 January	30,313,124	25,875,088
Surplus declared during the year	10,244,527	8,895,524
Payments made during the year	<u>(4,526,896)</u>	<u>(4,457,488)</u>
Balance at 31 December	<u>36,030,755</u>	<u>30,313,124</u>

The Board of Directors have proposed to distribute 7% (2018: 7%) portion of gross contribution amounting to QR 10,244,527 as surplus for policyholders for the year (2018: QR 8,895,524) out of the results of Takaful operations. The proposal to distribute surplus will be submitted for formal approval at the Annual General Meeting. The balance of the retained surplus will be distributed to the policyholders in future years in accordance with the decision of the Shari'a Supervisory Board.

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

16 EQUALIZATION RESERVE

On 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.

17 EMPLOYEES' END OF SERVICE BENEFITS

	<i>2019</i> <i>QR</i>	<i>2018</i> <i>QR</i>
As at 1 January	1,832,919	1,603,326
Charge for the year	301,429	323,582
Paid during the year	<u>(125,895)</u>	<u>(93,989)</u>
As at 31 December	<u>2,008,453</u>	<u>1,832,919</u>

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

18 NET UNDERWRITING RESULTS

	Maritime and Aviation		Motors		Fire and General Accident		Takaful and Health		Total			
	2019		2018		2019		2018		2019		2018	
	QR	QR	QR	QR	QR	QR	QR	QR	QR	QR	QR	QR
Gross contributions	2,512,191	2,430,725	139,736,444	149,291,233	41,634,808	35,901,796	155,311,699	144,470,504	339,195,142	332,094,258		
Re-Takaful share	(1,435,219)	(1,383,791)	(1,860,816)	(1,129,287)	(31,634,106)	(26,767,375)	(26,595,155)	(14,672,101)	(61,525,296)	(43,952,554)		
Net contributions	1,076,972	1,046,934	137,875,628	148,161,946	10,000,702	9,134,421	128,716,544	129,798,403	277,669,846	288,141,704		
Movement in unearned contribution	(143,226)	163,388	2,394,832	17,991,105	33,284	938,420	(22,694,845)	(12,775,274)	(20,409,955)	6,317,639		
Net earned contributions	933,746	1,210,322	140,270,460	166,153,051	10,033,986	10,072,841	106,021,699	117,023,129	257,259,891	294,459,343		
Expenses:												
Gross claims paid	(5,715,868)	(325,611)	(131,521,185)	(149,919,407)	(11,892,508)	(6,947,997)	(52,036,252)	(75,759,367)	(201,165,813)	(232,952,382)		
Re-Takaful and other recoveries	4,620,682	126,883	33,488,796	32,653,911	8,228,860	4,741,994	13,265,293	15,622,087	59,603,631	53,144,875		
Movement in outstanding claims and IBNR	442,720	(936,135)	(6,722,961)	4,040,881	(1,389,645)	(2,930,574)	(2,949,324)	(259,733)	(10,619,210)	(105,561)		
Commission expense, net	129,895	311,196	(11,871,514)	(15,234,149)	1,264,111	1,589,158	(26,468,921)	(24,128,801)	(36,946,429)	(37,462,596)		
Net takaful expenses	(522,571)	(843,667)	(116,626,864)	(128,458,764)	(3,789,182)	(3,547,419)	(68,189,204)	(84,525,814)	(189,127,821)	(217,375,664)		
Surplus from takaful operations	411,175	366,655	23,643,596	37,694,287	6,244,804	6,525,422	37,832,495	32,497,315	68,132,070	77,083,679		

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19 COMMISSION EXPENSE - NET

	2019 <i>QR</i>	2018 <i>QR</i>
Profit from retakaful	(4,329,215)	(4,642,771)
Commission to agents and retakaful	<u>41,275,644</u>	<u>42,105,367</u>
	<u>36,946,429</u>	<u>37,462,596</u>

20 INVESTMENT INCOME

(a) *Investment Income – Policyholders*

	2019 <i>QR</i>	2018 <i>QR</i>
Income from investment of policyholders	<u>10,299,423</u>	<u>7,442,849</u>
Income from Islamic deposits of policyholders	1,976,139	1,339,404
Investment expenses of policyholders	<u>(2,630,367)</u>	<u>(2,778,272)</u>
Net investment income	<u>9,645,195</u>	<u>6,003,981</u>
Shareholders' share in policyholders' income *	<u>3,858,077</u>	<u>2,401,593</u>

* This represents management fee payable to the shareholders by the policyholders for managing the investments. The fees are calculated at a rate of 40% (2018: 40%) of the net investment income received on the investments of the policyholders. The actual rate for each year is determined by the Shari'a Supervisory Board with co-ordination with the Company's Board of Directors. This is captioned in the statement of profit or loss as "Mudarib share".

(b) *Investment Income – Shareholders*

	2019 <i>QR</i>	2018 <i>QR</i>
Income from investments of shareholders	<u>10,072,649</u>	<u>9,130,614</u>
	<u>10,072,649</u>	<u>9,130,614</u>

21 OTHER EXPENSES

	2019 <i>QR</i>	2018 <i>QR</i>
Bank charges	938,675	900,686
Allocated expenses to policyholders	626,731	776,367
Others	<u>401,369</u>	<u>214,749</u>
	<u>1,966,775</u>	<u>1,891,802</u>

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As at 31 December 2019

22 GENERAL AND ADMINISTRATIVE EXPENSES

	2019 QR	2018 QR
Rent	2,734,890	2,924,992
Printing and stationery	143,331	287,075
Advertisement expenses	211,710	46,700
Postage and telephone	556,906	524,951
IT charges	802,215	1,379,692
Foreign travel expenses	152,734	31,680
Shari'a board remuneration	150,000	150,000
Board of directors' remuneration	900,000	900,000
Insurance expenses	2,029,525	1,297,845
Legal fee	218,981	271,230
Professional fee	568,081	280,221
Technical fee	1,422,271	1,072,242
Other operating expenses (i)	<u>1,328,293</u>	<u>1,074,401</u>
	<u>11,218,937</u>	<u>10,241,029</u>

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

23 DIVIDENDS PAID

The Company has paid cash dividends of QR 20 million in 2019 (2018: QR 20 million) which pertains to dividends declared for the year ended 31 December 2018, respectively, out of the shareholders' retained earnings.

24 COMMITMENTS AND CONTINGENCIES

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

	2019 QR	2018 QR
Bank guarantee	<u>3,321,539</u>	<u>2,021,587</u>
Letter of credit	<u>-</u>	<u>-</u>

25 COMMITMENTS UNDER OPERATING LEASES

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

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

	2019 QR	2018 QR
Not later than 1 year	1,094,420	1,400,739
Later than 1 year and not longer than 5 years	<u>2,103,818</u>	<u>28,000</u>
	<u>3,198,238</u>	<u>1,428,739</u>

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

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26 FINANCIAL INVESTMENTS FAIR VALUES

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

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

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

<i>31 December 2019</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	-	707,240,710	-	707,240,710
	-	707,240,710	-	707,240,710
<i>31 December 2018</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	61,699,580	627,616,896	-	689,316,476
	61,699,580	627,616,896	-	689,316,476

During the year ended 31 December 2019, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

27 CAPITAL MANAGEMENT

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

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

The Company's management reviews the capital structure of the Company on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The gearing ratio at 31 December 2019 of 27% (2018: 44%) (see below) was in line with the target range.

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

27 CAPITAL MANAGEMENT (CONTINUED)

Gearing ratio

The gearing ratio at year end was as follows:

	2019 <i>QR</i>	2018 <i>QR</i>
Debt (i)	301,577,107	275,001,843
Cash and bank balances	<u>(184,515,232)</u>	<u>(108,552,456)</u>
Net debt	<u>117,061,875</u>	<u>166,449,387</u>
Equity (ii)	<u>429,844,574</u>	<u>376,647,157</u>
Net debt to equity ratio	<u>27%</u>	<u>44%</u>

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

28 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Governance framework

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

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

Capital management framework

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

- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing Takaful and investment contracts commensurately with the level of risk.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

28 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Takaful risk

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

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

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

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

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

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

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

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

Key assumptions-Takaful risk

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

Sensitivities

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

Claims development:

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

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

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28 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Retakaful risk

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

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

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

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

Credit risk

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

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

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

Age analysis of financial assets

	< 30 days QR	31 to 60 days QR	61 to 90 days QR	91 to above 120 days QR	Total QR
31 December 2019					
Cash in banks	181,215,232	-	-	3,300,000	184,515,232
Investments at fair value through equity	-	-	-	707,240,710	707,240,710
Due from related parties	-	-	12,694,920	-	12,694,920
Takaful and other receivables	-	-	137,520,206	-	137,520,206
Retakaful contract assets	-	-	-	102,383,972	102,383,972
Total	181,215,232	-	150,215,126	812,924,682	1,144,355,040
	< 30 days QR	31 to 60 days QR	61 to 90 days QR	91 to above 120 days QR	Total QR
31 December 2018					
Cash in banks	105,252,456	-	-	3,300,000	108,552,456
Investments at fair value through equity	-	-	-	693,816,476	693,816,476
Due from related parties	-	-	3,477,246	-	3,477,246
Takaful and other receivables	-	-	127,183,418	-	127,183,418
Retakaful contract assets	-	-	-	96,894,234	96,894,234
Total	105,252,456	-	130,660,664	794,010,710	1,029,923,830

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NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

28 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a daily/weekly/monthly basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Maturity profiles

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

<i>31 December 2019</i>	<i>Up to a year QR</i>	<i>1 to 5 years QR</i>	<i>Total QR</i>
<i>Financial assets</i>			
Investments at fair value through equity	-	707,240,710	707,240,710
Due from related parties	12,694,920	-	12,694,920
Takaful and other receivables	137,520,206	-	137,520,206
Retakaful contract assets	102,383,972	-	102,383,972
Due from policyholders	84,184,867	-	84,184,867
Cash and cash equivalents	181,215,232	3,300,000	184,515,232
Total	517,999,197	710,540,710	1,228,539,907
<i>Financial liabilities</i>			
Due to related parties	9,271,516	-	9,271,516
Takaful contract liabilities	398,165,419	-	398,165,419
Murabaha finance	-	301,577,107	301,577,107
Distributable surplus	36,030,755	-	36,030,755
Due to shareholders	84,184,867	-	84,184,867
Takaful payables	77,849,345	-	77,849,345
Total	605,501,902	301,577,107	907,079,009
<i>31 December 2018</i>	<i>Up to a year QR</i>	<i>1 to 5 years QR</i>	<i>Total QR</i>
<i>Financial assets</i>			
Investments at fair value through equity	-	693,816,476	693,816,476
Due from related parties	3,477,246	-	3,477,246
Takaful and other receivables	127,183,418	-	127,183,418
Retakaful contract assets	96,894,234	-	96,894,234
Due from policyholders	65,507,885	-	65,507,885
Cash and cash equivalents	105,252,456	3,300,000	108,552,456
Total	398,315,239	697,116,476	1,095,431,715
<i>Financial liabilities</i>			
Due to related parties	5,415,806	-	5,415,806
Takaful contract liabilities	361,646,516	-	361,646,516
Murabaha finance	-	275,001,843	275,001,843
Distributable surplus	30,313,124	-	30,313,124
Due to shareholders	65,507,885	-	65,507,885
Takaful payables	67,829,505	-	67,829,505
Total	530,712,836	275,001,843	805,714,679

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28 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Market risk

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

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Qatari Riyal is effectively pegged to the United 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

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

Equity price risk

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

Equity price sensitivity analysis

If equity prices had been 5% higher/lower, profit for the year ended 31 December 2019 would have been unaffected as the equity investments are classified as investments at fair value through equity and no investments were disposed of or impaired; and other comprehensive income for the year ended 31 December 2019 would increase / decrease by QR nil (2018: increase / decrease by QR 181,463) as a result of the changes in fair value of investments at fair value through equity shares.

29 COMPARATIVE FIGURES

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