

**DOHA INSURANCE COMPANY Q.S.C.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2013**

**DOHA INSURANCE COMPANY Q.S.C.**

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

For the year ended December 31, 2013

---

<b>INDEX</b>	<b>Page</b>
Independent auditor's report	--
Statement of profit or loss	1
S tatement of profit or loss and other comprehensive income	2
Statement of financial position	3
Statement of changes in equity	4
Statement of cash flows	5
Notes to the financial statements	6 to 39



Deloitte & Touche  
Al Ahli Bank Head Office Building  
Sh. Suhaim Bin Hamad Street  
Al Sadd Area  
P.O. Box 431  
Doha - Qatar

Tel : +974 44341112  
Fax : +974 44422131  
www.deloitte.com

QR. 99-8

## INDEPENDENT AUDITOR'S REPORT

**The Shareholders**  
**Doha Insurance Company Q.S.C.**  
**Doha, Qatar**

### **Report on the financial statements**

We have audited the accompanying financial statements of Doha Insurance Company Q.S.C. (the "Company"), which comprise the statement of financial position as at December 31, 2013 and the statement of profit or loss, statement of cash flows for the year then ended, and a summary of significant changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's responsibility for the financial statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the applicable provisions of Qatar Commercial Companies Law 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.

#### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company management's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### *Opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Doha Insurance Company Q.S.C. as of December 31, 2013 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **Report on Legal and Regulatory Requirements**

We are also of the opinion that proper books of account were maintained by the Company and the contents of the directors' report are in agreement with the Company's financial statements. 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 Commercial Companies Law No. 5 of 2002 or the Company's Articles of Association were committed during the year which would materially affect the Company's activities or its financial position.

For Deloitte & Touche



Midhat Salha  
License No. 257

Doha - Qatar  
January 22, 2014

**DOHA INSURANCE COMPANY Q.S.C.**

**STATEMENT OF PROFIT OR LOSS**

For the year ended December 31, 2013

	Notes	<b>December 31, 2013 QR.</b>	December 31, 2012 QR.
Gross premiums	5	<b>516,669,468</b>	468,862,103
Reinsurers' share of gross premiums	5	<b>(410,411,989)</b>	(362,657,137)
Net premiums	5	<b>106,257,479</b>	106,204,966
Change in unexpired risk reserve	5	<b>68,620</b>	(4,464,427)
Earned insurance premiums	5	<b>106,326,099</b>	101,740,539
Commissions received	5	<b>28,630,594</b>	31,204,649
Change in deferred commissions	5	<b>1,014,345</b>	(2,882,990)
Total underwriting revenues	5	<b>135,971,038</b>	130,062,198
Claims paid	5	<b>(95,042,646)</b>	(377,122,183)
Reinsurers' share of claims	5	<b>39,877,136</b>	332,845,137
Change in outstanding claims reserve	5	<b>(2,999,030)</b>	(7,018,345)
Commissions paid	5	<b>(5,544,122)</b>	(5,413,430)
<b>NET UNDERWRITING RESULTS</b>		<b>72,262,376</b>	73,353,377
Dividend income		<b>20,662,479</b>	13,777,771
Interest income		<b>2,541,238</b>	3,456,646
Rental income from investment properties		<b>5,443,593</b>	5,767,916
Net gain on sale of financial investments	6	<b>26,860,918</b>	10,231,220
Impairment of financial investments		<b>(6,613,803)</b>	--
Share of profit of an associate	12	<b>876,829</b>	300,076
Other income		<b>132,393</b>	161,856
<b>INVESTMENT AND OTHER INCOME</b>		<b>49,903,647</b>	33,695,485
Salaries and other staff costs		<b>(34,891,630)</b>	(35,159,844)
General and administrative expenses	7	<b>(15,557,014)</b>	(11,602,552)
Depreciation of investment properties	13	<b>(1,376,487)</b>	(1,376,035)
Depreciation of property and equipment	14	<b>(1,633,075)</b>	(1,139,444)
<b>TOTAL EXPENSES</b>		<b>(53,458,206)</b>	(49,277,875)
<b>PROFIT FOR THE YEAR BEFORE ALLOCATION TO TAKAFUL BRANCH POLICYHOLDERS</b>		<b>68,707,817</b>	57,770,987
Net (profit) / deficit attributable to Takaful branch policyholders		<b>(1,661,741)</b>	2,514,948
<b>PROFIT ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>67,046,076</b>	60,285,935
Basic/diluted earnings per share	22	<b>2.60</b>	2.34

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**DOHA INSURANCE COMPANY Q.S.C.**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended December 31, 2013

	<b>December 31, 2013</b>	December 31,
	<b>QR.</b>	2012
		<b>QR.</b>
<b>Profit attributable to shareholders</b>	<b>67,046,076</b>	60,285,935
<b>Other comprehensive income</b>		
Net movement in fair value of available for sale investments	<b>25,065,191</b>	(23,571,071)
Exchange differences on translating foreign operations	<b>(28,699)</b>	50,670
<b>Other comprehensive income for the year</b>	<b>25,036,492</b>	(23,520,401)
<b>Total comprehensive income for the year</b>	<b>92,082,568</b>	36,765,534

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

DOHA INSURANCE COMPANY Q.S.C.

STATEMENT OF FINANCIAL POSITION

As at December 31, 2013

	Notes	December 31, 2013 QR.	December 31, 2012 QR.
<b>ASSETS</b>			
Cash and bank balances	8	187,153,577	171,432,206
Financial investments	9	357,860,552	292,864,883
Reinsurance contract assets	10	570,433,700	708,298,517
Insurance and other receivables	11	98,948,567	100,395,115
Investment in an associate	12	5,935,730	5,087,600
Investment properties	13	25,192,886	26,569,373
Property and equipment	14	73,858,660	73,349,245
<b>TOTAL ASSETS</b>		<b>1,319,383,672</b>	<b>1,377,996,939</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	15	257,400,000	234,000,000
Legal reserve	16	109,139,129	102,434,522
Cumulative changes in fair value		60,650,742	35,585,551
Foreign currency translation reserve		(80,742)	(52,043)
Retained earnings		69,946,711	62,761,396
Proposed cash dividends	18	51,480,000	23,400,000
Proposed bonus shares	18	--	23,400,000
<b>Total equity</b>		<b>548,535,840</b>	<b>481,529,426</b>
<b>Liabilities</b>			
Insurance contract liabilities	10	685,542,451	821,491,203
Provisions, insurance and other payables	19	75,442,571	65,301,229
Employees' end of service benefits	20	9,862,810	9,675,081
<b>Total liabilities</b>		<b>770,847,832</b>	<b>896,467,513</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,319,383,672</b>	<b>1,377,996,939</b>

\_\_\_\_\_  
Nawaf Bin Nasser Bin Khaled Al Thani  
Chairman

\_\_\_\_\_  
Bassam Hussein  
Chief Executive Officer

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

DOHA INSURANCE COMPANY Q.S.C.

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2013

	Share capital	Legal reserve	Cumulative changes in fair value	Foreign currency translation reserve	Proposed cash dividends	Proposed bonus shares	Retained earnings	Total
	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.
<b>Balance at January 1, 2013</b>	<b>234,000,000</b>	<b>102,434,522</b>	<b>35,585,551</b>	<b>(52,043)</b>	<b>23,400,000</b>	<b>23,400,000</b>	<b>62,761,396</b>	<b>481,529,426</b>
<b>Total comprehensive income for the year</b>	--	--	<b>25,065,191</b>	<b>(28,699)</b>	--	--	<b>67,046,076</b>	<b>92,082,568</b>
<b>Social and sports fund contribution</b>	--	--	--	--	--	--	<b>(1,676,154)</b>	<b>(1,676,154)</b>
<b>Transfer to legal reserve</b>	--	<b>6,704,607</b>	--	--	--	--	<b>(6,704,607)</b>	--
<b>Bonus shares issued</b>	<b>23,400,000</b>	--	--	--	--	<b>(23,400,000)</b>	--	--
<b>Cash dividends</b>	--	--	--	--	<b>(23,400,000)</b>	--	--	<b>(23,400,000)</b>
<b>Proposed cash dividends</b>	--	--	--	--	<b>51,480,000</b>	--	<b>(51,480,000)</b>	--
<b>Balance at December 31, 2013</b>	<b>257,400,000</b>	<b>109,139,129</b>	<b>60,650,742</b>	<b>(80,742)</b>	<b>51,480,000</b>	--	<b>69,946,711</b>	<b>548,535,840</b>
Balance at January 1, 2012	180,000,000	96,405,928	59,156,622	(102,713)	--	54,000,000	56,811,203	446,271,040
Total comprehensive income for the year	--	--	(23,571,071)	50,670	--	--	60,285,935	36,765,534
Social and sports fund contribution	--	--	--	--	--	--	(1,507,148)	(1,507,148)
Transfer to legal reserve	--	6,028,594	--	--	--	--	(6,028,594)	--
Bonus shares issued	54,000,000	--	--	--	--	(54,000,000)	--	--
Proposed cash dividends	--	--	--	--	23,400,000	--	(23,400,000)	--
Proposed issued of bonus shares	--	--	--	--	--	23,400,000	(23,400,000)	--
Balance at December 31, 2012	234,000,000	102,434,522	35,585,551	(52,043)	23,400,000	23,400,000	62,761,396	481,529,426

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS



**DOHA INSURANCE COMPANY Q.S.C.**

STATEMENT OF CASH FLOWS

For the year ended December 31, 2013

	Note	<b>December 31,</b> <b>2013</b> <b>QR.</b>	<b>December 31,</b> <b>2012</b> <b>QR.</b>
<b>OPERATING ACTIVITIES</b>			
Profit attributable to shareholders		<b>67,046,076</b>	60,285,935
<i>Adjustments for:</i>			
Depreciation of property and equipment		<b>1,633,075</b>	1,139,444
Depreciation of investment properties		<b>1,376,487</b>	1,376,035
Provision for employees' end of service benefits		<b>1,459,684</b>	2,295,789
Impairment of financial investments		<b>6,613,803</b>	--
Reinsurers' share of unearned premium		<b>(19,681,876)</b>	(17,787,101)
Movement in unearned premium		<b>19,613,256</b>	22,251,526
Net gain from sale of financial investments		<b>(26,860,918)</b>	(10,231,220)
Dividend income		<b>(20,662,479)</b>	(13,777,771)
Interest income		<b>(2,541,238)</b>	(3,456,646)
Share of profit from investment in an associate		<b>(876,829)</b>	(300,076)
<b>Operating profit before changes in operating assets and liabilities</b>		<b>27,119,041</b>	41,795,915
Decrease / (increase) in insurance and other receivables		<b>1,446,548</b>	18,803,914
Decrease in insurance reserves		<b>1,984,685</b>	9,901,335
Increase / (decrease) in provisions, insurance and other payables		<b>9,972,340</b>	(23,462,528)
<b>Cash generated from operations</b>		<b>40,522,614</b>	47,038,636
Employees' end of service benefits paid		<b>(1,271,955)</b>	(760,497)
<b>Net cash generated from operating activities</b>		<b>39,250,659</b>	46,278,139
<b>INVESTING ACTIVITIES</b>			
Purchase of financial investments		<b>(112,372,269)</b>	(89,466,411)
Proceeds from disposal of financial investments		<b>92,688,905</b>	39,278,813
Dividend received		<b>20,662,479</b>	13,777,771
Interest received		<b>2,541,238</b>	3,456,646
Purchase of investment properties		--	(9,970)
Purchase of property and equipment		<b>(2,222,937)</b>	(7,036,821)
Proceeds from disposal of property and equipment		<b>80,446</b>	--
<b>Net cash generated from / (used in) investing activities</b>		<b>1,377,862</b>	(39,999,972)
<b>FINANCING ACTIVITIES</b>			
Payment of social and sports activities contribution		<b>(1,507,150)</b>	(1,646,137)
Dividends paid		<b>(23,400,000)</b>	(1,214,696)
<b>Net cash used in financing activities</b>		<b>(24,907,150)</b>	(2,860,833)
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at the beginning of the year		<b>171,432,206</b>	168,014,872
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	8	<b>187,153,577</b>	171,432,206

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

# DOHA INSURANCE COMPANY Q.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

---

### 1. ACTIVITIES

Doha Insurance Company Q.S.C. (the “Company”) is a Qatari shareholding company registered and incorporated in the State of Qatar under Emiri Decree No. 30 issued on October 2, 1999, listed on Qatar Exchange, and is engaged in the business of insurance and reinsurance in Qatar.

During the year 2006, the Company established an Islamic Takaful branch under the brand name Doha Takaful (the “Branch”) to carry out insurance and reinsurance activities in accordance with Islamic Sharia principles on a non-usury basis in all areas of insurance.

The financial statements for the year ended December 31, 2013 include the results of the Company and the Branch. The financial statements were authorised for issue in accordance with a resolution of the directors on January 22, 2014.

### 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

#### 2.1 New and revised IFRSs affecting amounts reported in the financial statements

The following are the new and revised IFRSs that were effective in the current year and have been applied in the preparation of these financial statements:

#### (i) New Standards

Effective for annual periods beginning on or after January 1, 2013

- IFRS 10\* *Consolidated Financial Statements*
- IFRS 11\* *Joint Arrangements*
- IFRS 12\* *Disclosure of Interests in Other Entities*
- IFRS 13 *Fair Value Measurement*

#### (ii) Revised Standards

Effective for annual periods beginning on or after July 1, 2012

- IAS 1 (Revised) *Presentation of Financial Statements - Amendments to introduce new terminology for the income statement and other comprehensive income*

Effective for annual periods beginning on or after January 1, 2013

- IFRS 1 (Revised) *First Time Adoption of International Financials Reporting Standards – Amendments to allow prospective application of IAS 39 or IFRS 9 and paragraph 10A of IAS 20 to government loans outstanding at the date of transition to IFRS.*
- IFRS 7 (Revised) *Financial Instruments Disclosures - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities.*

## DOHA INSURANCE COMPANY Q.S.C.

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

---

#### 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

##### 2.1 New and revised IFRSs affecting amounts reported in the financial statements (continued)

###### (ii) Revised Standards (continued)

- IAS 19 (Revised) *Employee Benefits - Amended Standard to change the accounting for defined benefit plans and termination benefits*
- IAS 27 (Revised)\* *Consolidated and Separate Financial Statements ( Early adoption allowed) - Reissued as IAS 27 Separate Financial Statements.*
- IAS 28 (Revised)\* *Investments in Associates ( Early adoption allowed) -Reissued as IAS 28 Investments in Associates and Joint Ventures.*
- IFRS 10, 11 and 12 amendments\* *Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.*
- Annual improvements to IFRSs 2009-2011 cycle *Amendments to issue clarifications on five IFRSs- IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34.*

\* In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). These five standards are effective for annual periods beginning on or after January 1, 2013. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

###### (iii) New Interpretation:

Effective for annual periods beginning on or after January 1, 2013

- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*

The adoption of these new and revised standards had no significant effect on the financial statements of the Company for the year ended December 31, 2013, other than certain presentation and disclosure changes.

## DOHA INSURANCE COMPANY Q.S.C.

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

---

## 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

### 2.2 New and revised IFRSs in issue but not yet effective (Early adoption allowed)

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

#### (i) New Standards:

Effective for annual periods beginning on or after January 1, 2017

- IFRS 9 *Financial Instruments*

#### (ii) Revised Standards:

Effective for annual periods beginning on or after January 1, 2014

- IAS 32 (Revised) *Financial Instruments: Presentation – Amendments to clarify existing application issues relating to the offsetting requirements.*
- IFRS 10, 12 and IAS 27 (Revised) *Amendments to introduce an exception from the requirement to consolidate subsidiaries for an investment entity.*
- IAS 36 (Revised) *Amendments arising from recoverable amount disclosures for non-financial assets.*
- IAS 39 (Revised) *Amends IAS 39 Financial Instruments: Recognition and Measurement to make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.*

Effective for annual periods beginning on or after January 1, 2017

- IFRS 7 (Revised) *Financial Instruments Disclosures - Amendments requiring disclosures about the initial application of IFRS 9*

Effective for annual periods beginning on or after July 1, 2014

- IAS 19 (Revised) *Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.*
- Annual improvements to IFRSs 2010-2012 cycle *Amendments to issue clarifications on IFRSs- IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24.*
- Annual Improvements 2011-2013 Cycle *Amendments to issue clarifications on IFRSs- IFRS 1, IFRS 3, IFRS 13 and IAS 40.*

#### (iii) New Interpretation:

Effective for annual periods beginning on or after January 1, 2014

- IFRIC 21 *Levies*

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company in the period of initial application, other than certain presentation and disclosure changes.

## DOHA INSURANCE COMPANY Q.S.C.

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

---

#### 3. SIGNIFICANT ACCOUNTING POLICIES

##### **Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

##### **Basis of preparation**

The financial statements have been presented in Qatar Riyals which is the functional currency of the Company.

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of certain available for sale and held for trading investments.

##### **Premiums earned**

Gross premiums comprise the total premiums receivable for the whole period of cover provided by insurance contracts entered into during the accounting period. They are recognised on the date on which the policy commences and effective. Premiums are taken into income over the terms of the policies to which they relate. Unearned premiums represent the portion of net premiums written relating to the unexpired period of coverage calculated at 40% of the net premium for all insurance classes except for marine cargo insurance which is calculated at 25%.

##### **Commissions earned and paid**

Commissions received and paid are taken into income over the terms of the policies to which they relate similar to premiums.

##### **Deferred commissions**

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. Subsequent to initial recognition, these costs are amortised over the terms of the policies to which they relate similar to premiums. Amortisation is recorded in the statement of profit or loss.

##### **Claims**

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to profit or loss as incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the end of the reporting period, whether reported or not. Provisions for reported claims not paid as at the end of the reporting period are made on the basis of individual case estimates. In addition, a provision based on the Company's prior experience is maintained for the cost of settling claims incurred but not reported at the end of the reporting period. Any difference between the provisions at the end of the reporting period and settlements and provisions in the following year is included in the underwriting account for that year.

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

## DOHA INSURANCE COMPANY Q.S.C.

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

---

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **Liabilities adequacy test**

At the end of each reporting period, the Company assesses whether its recognized insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future claims flows, the entire deficiency is immediately recognized in the statement of profit or loss.

##### **Reinsurance**

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

Reinsurance 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 reinsurance 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 reinsurer. The impairment loss is recorded in the statement of profit or loss.

Ceded reinsurance arrangements do not relieve the Company from its immediate obligations to policyholders.

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

Reinsurance contract liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

##### **Interest income**

Interest income is recognised as the interest accrues using the effective interest method.

##### **Rental income**

Rental income is recognised on a straight line basis based on the term of the contract.

##### **Dividend income**

Dividend income is recognised when the right to receive the payment is established.

##### **Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents consists of cash on hand, bank balances and short-term deposits with an original maturity of three months or less, net of margins.

##### **Financial investments**

All investments are initially recognised at cost, being the fair value of the consideration given and including incremental acquisition charges. Premiums and discounts of “available-for-sale” are amortised using the effective interest rate method and taken to interest income.

## DOHA INSURANCE COMPANY Q.S.C.

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

---

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **Financial investments (continued)**

###### ***Available for sale***

Available for sale investments are recognised and derecognised, on a trade date basis, when the Company becomes, or ceases to be, a party to the contractual provisions of the instrument.

After initial recognition, investments which are classified as available for sale are measured at fair value unless fair value cannot be reliably measured, with unrealised gains or losses reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in equity is transferred to the statement of profit or loss for the period.

If an available for sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is transferred from equity to the statement of profit or loss. Reversals in respect of equity instruments classified as available for sale are not recognised in the statement of profit or loss. Reversals of impairment losses on debt instruments classified as available for sale are reversed through the statement of profit or loss if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the statement of profit or loss.

###### ***Held for Trading***

Held for trading investments are initially recorded at fair value. Subsequent to initial recognition, these investments are measured at fair value. Fair value adjustments and realized gain and losses are recognized in the statement of profit or loss.

###### ***Held to Maturity***

Held to Maturity investments are measured at amortised cost, less provision for impairment. In cases where objective evidence exists that a specific investment is impaired, the recoverable amount of that investment is determined and any impairment loss is recognized in the statement of profit or loss as a provision for impairment of investments.

##### **Fair values**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- (i) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- (ii) Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- (iii) Level 3 inputs are unobservable inputs for the asset or liability.

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.

## DOHA INSURANCE COMPANY Q.S.C.

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

---

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **Investment in an associate**

The Company's investment in an associate is accounted for under the equity method of accounting. Associate is an entity over which the Company exercises significant influence and which is neither subsidiary nor joint venture. Investment in an associate is carried in the statement of financial position at cost, plus post-acquisition changes in the Company's share of net assets of the associate, less any impairment in value. The statement of profit or loss reflects the Company's share of the results of its associate.

Unrealised profits and losses resulting from transactions between the Company and its associate are eliminated to the extent of the Company's interest in the associate. After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss of the Company's investment in its associate. The Company determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Company calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognises the loss amount in the statement of profit or loss.

##### **Investment properties**

Freehold land and building are considered as investment properties only when they are being held to earn rentals or capital appreciation or both.

Investment properties are carried at cost less accumulated depreciation calculated on a straight line basis over a period of 20 years. Land held under investment properties is not depreciated.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of profit or loss in the period of derecognition.

##### **Property and equipment**

Property and equipment is initially recorded at cost less accumulated depreciation and any impairment in value. Freehold land is not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Building	- 10 years
Furniture and fixtures	- 5 years
Computers	- 5 years
Vehicles	- 5 years
Office equipment	- 5 years

The building owned and used by the Company is being depreciated over a period of 10 years as it was acquired with around 10 years of actual usage.

The carrying amounts are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.



## DOHA INSURANCE COMPANY Q.S.C.

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

---

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **Property and equipment (continued)**

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the statement of profit or loss as the expense is incurred.

##### **Impairment of financial assets**

An assessment is made at each end of the 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 statement of profit or loss. 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 recognised in the statement of profit or loss;
- (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.

##### **Impairment of non-financial assets**

Assets that have an indefinite useful life, except land, are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation, and land are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

##### **Derecognition of financial instruments**

###### *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.

###### *Financial liabilities*

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

##### **Accounts Payable**

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

##### **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

## DOHA INSURANCE COMPANY Q.S.C.

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

---

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **Offsetting**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the statement of profit or loss unless required or permitted by any accounting standard or interpretation.

##### **Employees' end of service benefits**

###### *End of service gratuity plans*

The Company provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period and in accordance of Qatari labour Law. The expected costs of these benefits are accrued over the period of employment.

###### *Pension plan*

The Company is also 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.

##### **Net surplus attributable to Islamic Takaful policyholders**

The net surplus attributable to Islamic Takaful policyholders represents accumulated profit on policyholders operation. Any surplus or deficit during the year is fully allocated to the policyholders.

##### **Foreign currencies**

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the statement of profit or loss except when it relates to items where gains or losses are recognised directly in equity, where the gain or loss is then recognised net of the exchange component in equity.

##### **Earnings Per Share**

Basic Earnings Per Share is calculated by dividing profit or loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted Earnings Per Share is calculated by adjusting the earnings and number of shares for the effects of any dilutive instruments.

#### 4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 3, 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.

## DOHA INSURANCE COMPANY Q.S.C.

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

---

#### 4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### *Classification of investments*

Management decides on acquisition of an investment whether it should be classified as held to maturity, held for trading, or available for sale.

For those debts instruments deemed held to maturity, management ensures that the requirements of IAS 39 are met and in particular that the Company has the intent and ability to hold these to maturity.

Investments typically bought with the intention to sell in the near future are classified as held for trading.

If the Company's objective is to maintain an investment portfolio that can generate a constant return in terms of dividend and capital appreciation and not for the purpose of making short term profit from market volatility, all other debt, investment funds, and equity investment securities are classified as available for sale.

##### *Impairment of investments*

The Company treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

##### *Provision for outstanding claims*

Considerable judgement by management is required in the estimation of amounts due to contract holders and third parties arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

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.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

##### *Reinsurance*

The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

## DOHA INSURANCE COMPANY Q.S.C.

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

---

#### 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

##### *Unearned premium reserve*

The Company's estimate of the unearned premium reserve is based on current insurance industry practices in Qatar, the Ministry of Economy and Trade directives, and other analysis. The Company monitors its premium growth periodically and ascertains that difference between the estimate calculated based on 40% of the net premium for all insurance except for marine cargo insurance which is calculated at 25% is not materially different had the Company calculated the reserve on an actual basis.

##### *Impairment of accounts receivable*

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

##### *Impairment of property and equipment*

At each reporting date, the Company reviews the carrying amounts of its property and equipment to determine whether there is any indication that those assets have suffered from impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using an appropriate rate.

DOHA INSURANCE COMPANY Q.S.C.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

5. NET UNDERWRITING RESULTS

	<u>Motor</u>		<u>Marine and Aviation</u>		<u>Fire and General Accident</u>		<u>Total</u>	
	<u>2013</u> <u>QR.</u>	<u>2012</u> <u>QR.</u>	<u>2013</u> <u>QR.</u>	<u>2012</u> <u>QR.</u>	<u>2013</u> <u>QR.</u>	<u>2012</u> <u>QR.</u>	<u>2013</u> <u>QR.</u>	<u>2012</u> <u>QR.</u>
Gross premiums	<b>88,222,538</b>	79,719,624	<b>141,693,280</b>	159,102,330	<b>286,753,650</b>	230,040,149	<b>516,669,468</b>	468,862,103
Reinsurers' share of gross premiums	<b>(16,871,708)</b>	(6,076,841)	<b>(133,158,301)</b>	(151,824,732)	<b>(260,381,980)</b>	(204,755,564)	<b>(410,411,989)</b>	(362,657,137)
Net premiums	<b>71,350,830</b>	73,642,783	<b>8,534,979</b>	7,277,598	<b>26,371,670</b>	25,284,585	<b>106,257,479</b>	106,204,966
Change in unexpired risk reserve	<b>916,782</b>	(3,014,327)	<b>(413,323)</b>	(309,509)	<b>(434,839)</b>	(1,140,591)	<b>68,620</b>	(4,464,427)
Earned insurance premiums	<b>72,267,612</b>	70,628,456	<b>8,121,656</b>	6,968,089	<b>25,936,831</b>	24,143,994	<b>106,326,099</b>	101,740,539
Commissions received	<b>1,354,247</b>	367,318	<b>6,697,469</b>	7,798,767	<b>20,578,878</b>	23,038,564	<b>28,630,594</b>	31,204,649
Change in deferred commissions	<b>(516,259)</b>	(56,032)	<b>294,861</b>	(680,209)	<b>1,235,743</b>	(2,146,749)	<b>1,014,345</b>	(2,882,990)
Total underwriting revenues	<b>73,105,600</b>	70,939,742	<b>15,113,986</b>	14,086,647	<b>47,751,452</b>	45,035,809	<b>135,971,038</b>	130,062,198
Claims paid	<b>(50,099,314)</b>	(39,082,735)	<b>(4,147,126)</b>	(4,210,514)	<b>(40,796,206)</b>	(333,828,934)	<b>(95,042,646)</b>	(377,122,183)
Reinsurers' share of claims paid	<b>1,463,709</b>	3,225,952	<b>4,142,547</b>	2,388,420	<b>34,270,880</b>	327,230,765	<b>39,877,136</b>	332,845,137
Change in outstanding claims reserve	<b>2,985,163</b>	(4,433,100)	<b>(452,457)</b>	(257,659)	<b>(5,531,736)</b>	(2,327,586)	<b>(2,999,030)</b>	(7,018,345)
Commissions paid	<b>(880,916)</b>	(1,184,635)	<b>(359,980)</b>	(555,242)	<b>(4,303,226)</b>	(3,673,553)	<b>(5,544,122)</b>	(5,413,430)
<b>Net underwriting results</b>	<b>26,574,242</b>	29,465,224	<b>14,296,970</b>	11,451,652	<b>31,391,164</b>	32,436,501	<b>72,262,376</b>	73,353,377

**DOHA INSURANCE COMPANY Q.S.C.****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2013

**6. NET GAIN ON SALE OF FINANCIAL INVESTMENTS**

	<u>2013</u>	<u>2012</u>
	QR	QR
Net gain on sale of available-for-sale investments	<u>26,860,918</u>	<u>10,231,220</u>

**7. GENERAL AND ADMINISTRATIVE EXPENSES**

	<u>2013</u>	<u>2012</u>
	QR	QR
Board of Directors' remuneration	4,500,000	4,100,000
Rent, maintenance and office expenses	2,302,248	2,373,104
Advertisement and business promotion	2,647,650	1,446,410
Provision for bad and doubtful debts	1,600,000	--
Printing and stationery	490,537	536,881
Business travel	758,002	519,319
Legal and consultation fees	737,627	455,063
Government fees	275,465	294,081
Miscellaneous expenses	2,245,485	1,877,694
	<u>15,557,014</u>	<u>11,602,552</u>

**8. CASH AND BANK BALANCES**

	<u>2013</u>	<u>2012</u>
	QR	QR
Bank balances and short term deposits	186,884,514	171,182,803
Cash on hand	269,063	249,403
	<u>187,153,577</u>	<u>171,432,206</u>

Cash and bank balances include fixed deposits amounting to QR 130,068,000 (December 31, 2012: QR.135,311,947) bearing interest at the rate of 0.65% to 1.6% per annum and maturing within a period of 1 to 3 months.

**9. FINANCIAL INVESTMENTS**

	<u>2013</u>	<u>2012</u>
	QR.	QR.
Available-for-sale investments:		
- Quoted shares	263,292,884	213,434,310
- Unquoted funds and shares	69,843,845	59,270,353
- Debt securities with fixed interest rate	24,723,823	20,160,220
	<u>357,860,552</u>	<u>292,864,883</u>

They carry interest at debt securities 3 to 6% per annum and has a maturity period of 5 to 10 years. None of these assets had been past due or impaired at the end of the reporting period

**DOHA INSURANCE COMPANY Q.S.C.**

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

**10.INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS**

	<u>2013</u>	<u>2012</u>
	QR.	QR.
<b>Gross</b>		
<b>Insurance contract liabilities:</b>		
Claims reported unsettled	462,866,401	617,419,321
Claims incurred but not reported	10,625,755	10,620,498
Unearned premiums	203,382,838	183,769,582
Deferred commissions	8,667,457	9,681,802
Total insurance contract liabilities	<u>685,542,451</u>	<u>821,491,203</u>
<b>Recoverable from reinsurers:</b>		
Claims reported unsettled	409,134,733	566,681,426
Unearned premiums	161,298,967	141,617,091
Total reinsurance contract assets	<u>570,433,700</u>	<u>708,298,517</u>
<b>Net</b>		
Claims reported unsettled	53,731,668	50,737,895
Claims incurred but not reported	10,625,755	10,620,498
Unearned premiums	42,083,871	42,152,491
Deferred commissions	8,667,457	9,681,802
	<u>115,108,751</u>	<u>113,192,686</u>

**DOHA INSURANCE COMPANY Q.S.C.**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

**10. INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (CONTINUED)**

The movement in the provision for outstanding claims and related reinsurers' share was as follows:

	2013			2012		
	Gross QR.	Reinsurers' share QR.	Net QR.	Gross QR.	Reinsurers' share QR.	Net QR.
At January 1						
Claims	617,419,321	(566,681,426)	50,737,895	588,347,042	(543,568,569)	44,778,473
Claims incurred but not reported	10,620,498	--	10,620,498	9,561,575	--	9,561,575
	628,039,819	(566,681,426)	61,358,393	597,908,617	(543,568,569)	54,340,048
Insurance claims paid in the year	(95,042,646)	39,877,136	(55,165,510)	(377,122,183)	332,845,137	(44,277,046)
Incurred during the year	(59,505,017)	117,669,557	58,164,540	407,253,385	(355,957,994)	51,295,391
At December 31	473,492,156	(409,134,733)	64,357,423	628,039,819	(566,681,426)	61,358,393

**Analysis of outstanding claims**

	2013			2012		
	Gross QR.	Reinsurers' share QR.	Net QR.	Gross QR.	Reinsurers' share QR.	Net QR.
Claims outstanding	462,866,401	(409,134,733)	53,731,668	617,419,321	(566,681,426)	50,737,895
Claims incurred but not reported	10,625,755	--	10,625,755	10,620,498	--	10,620,498
At December 31	473,492,156	(409,134,733)	64,357,423	628,039,819	(566,681,426)	61,358,393

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

Amounts due from reinsurers relating to claims already paid by the Company are included in insurance and other receivables (Refer note 11).



**DOHA INSURANCE COMPANY Q.S.C.**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

**10. INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (CONTINUED)**

The following table shows the estimated cumulative reported claims, excluding IBNR, for each successive accident year at the end of each reporting period, together with cumulative payments to date:

**Claims development 2013**

	<b>Accident years</b>					<b>Total</b>
	Before 2010	2010	2011	2012	2013	
	QR.	QR.	QR.	QR.	QR.	QR.
Estimate of cumulative claims						
At end of the accident year	286,207,971	980,596,008	72,724,615	548,127,220	112,490,061	
One year later	285,853,372	993,499,454	79,828,021	393,590,644	--	
Two years later	287,854,980	994,157,250	81,917,908	--	--	
Three years later	290,562,890	994,448,606	--	--	--	
Four years later	320,348,664	--	--	--	--	
Current estimate of cumulative claims	320,348,664	994,448,606	81,917,908	393,590,644	112,490,061	1,902,795,883
Cumulative payments to date	(303,957,112)	(976,497,382)	(67,098,343)	(76,324,362)	(16,052,283)	(1,439,929,482)
Total cumulative claims recognized in the statement of financial position as of December 31, 2013	<u>16,391,552</u>	<u>17,951,224</u>	<u>14,819,565</u>	<u>317,266,282</u>	<u>96,437,778</u>	<u>462,866,401</u>

**DOHA INSURANCE COMPANY Q.S.C.**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

**10. INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (CONTINUED)**

Claims development 2012

	Accident years					Total
	Before	2009	2010	2011	2012	
	2009	2009	2010	2011	2012	
	QR.	QR.	QR.	QR.	QR.	QR.
Estimate of cumulative claims						
At end of the accident year	231,855,810	89,762,362	980,971,167	74,243,015	560,461,638	
One year later	233,713,135	87,550,438	993,874,613	81,346,421	--	
Two years later	234,867,990	88,397,191	994,532,409	--	--	
Three years later	235,901,880	90,071,211	--	--	--	
Four years later	235,894,478	--	--	--	--	
Current estimate of cumulative claims	235,894,478	90,071,211	994,532,409	81,346,421	560,461,638	1,962,306,157
Cumulative payments to date	(222,690,065)	(70,931,700)	(966,434,885)	(55,849,110)	(28,981,076)	(1,344,886,836)
Total cumulative claims recognized in the statement of financial position as of December 31, 2012	<u>13,204,413</u>	<u>19,139,511</u>	<u>28,097,524</u>	<u>25,497,311</u>	<u>531,480,562</u>	<u>617,419,321</u>

**DOHA INSURANCE COMPANY Q.S.C.****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2013

**11. INSURANCE AND OTHER RECEIVABLES**

	<u>2013</u>	<u>2012</u>
	QR.	QR.
Due from policyholders	<b>65,757,667</b>	60,756,886
Reinsurers – amounts due in respect of claims paid	<b>29,175,813</b>	35,187,086
Due from employees	<b>1,743,708</b>	1,011,071
Prepayments and others	<b>2,271,379</b>	3,440,072
	<b><u>98,948,567</u></b>	<u>100,395,115</u>

Due from policy holders comprise a large number of customers mainly within Qatar. Five companies accounted for 37% of receivable balances as of December 31, 2013 (2012: 22%). Due from policyholders is net of provision for bad and doubtful debts of QR. 3,100,000 (2012: QR. 1,500,000).

Insurance and other receivables are stated net of any required provision and are short term in nature. The reinsurer's shares of claims not paid by the Company at the end of the reporting period are disclosed in Note 10.

**12. INVESTMENT IN AN ASSOCIATE**

The Company has the following investment in an associate:

	<b>Country of incorporation</b>	<b>Ownership</b>	
		<u>2013</u>	<u>2012</u>
Yemeni Qatari Insurance Company	Republic of Yemen	<b>40%</b>	40%

The associate company is incorporated and registered in the Republic of Yemen and is engaged in the business of insurance and reinsurance.

Movements in investment in the associate are as follows:

	<u>2013</u>	<u>2012</u>
	QR.	QR.
At January 1	<b>5,087,600</b>	4,736,854
Share of profits for the year	<b>876,829</b>	300,076
Foreign currency translation difference	<b>(28,699)</b>	50,670
At December 31	<b><u>5,935,730</u></b>	<u>5,087,600</u>

The summarized financial information of the Company's investment in Yemeni Qatari Insurance Company are as follows:

	<u>2013</u>	<u>2012</u>
	QR.	QR.
Share of the associate's statement of financial position:		
Current assets	<b>9,074,240</b>	6,939,895
Non-current assets	<b>49,591</b>	114,830
Current liabilities	<b>(3,188,101)</b>	(1,967,125)
Net assets	<b><u>5,935,730</u></b>	<u>5,087,600</u>
Share of the associate's revenues and results:		
Revenues	<b><u>2,192,073</u></b>	<u>750,190</u>
Share of profit	<b><u>876,829</u></b>	<u>300,076</u>

**DOHA INSURANCE COMPANY Q.S.C.**

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

---

**13. INVESTMENT PROPERTIES**

	<u>2013</u> <u>QR.</u>	<u>2012</u> <u>QR.</u>
<b>Cost:</b>		
At January 1	37,778,044	37,768,074
Additions	--	9,970
	<u>37,778,044</u>	<u>37,778,044</u>
<b>Accumulated depreciation:</b>		
At January 1	11,208,671	9,832,636
Provided during the year	1,376,487	1,376,035
	<u>12,585,158</u>	<u>11,208,671</u>
Net carrying value	<u>25,192,886</u>	<u>26,569,373</u>

At December 31, 2013, the fair value of investment properties as estimated by management by reference to the work of an external valuer, was QR. 129,950,820 (2012: QR. 96,018,882).

**DOHA INSURANCE COMPANY Q.S.C.**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

**14. PROPERTY AND EQUIPMENT**

	<b>Freehold land QR.</b>	<b>Land** QR.</b>	<b>Buildings QR.</b>	<b>Furniture and fixtures QR.</b>	<b>Computers QR.</b>	<b>Vehicles QR.</b>	<b>Office equipment QR.</b>	<b>Total QR.</b>
<b>Cost:</b>								
At January 1, 2013	2,350,000	65,474,510	8,614,503	2,226,219	6,340,227	1,283,460	664,650	86,953,569
Additions	--	--	1,298,881	25,125	812,627	--	86,305	2,222,938
Disposal	--	--	--	(6,128)	(101,228)	--	(2,839)	(110,195)
<b>At December 31, 2013</b>	<b><u>2,350,000</u></b>	<b><u>65,474,510</u></b>	<b><u>9,913,384</u></b>	<b><u>2,245,216</u></b>	<b><u>7,051,626</u></b>	<b><u>1,283,460</u></b>	<b><u>748,116</u></b>	<b><u>89,066,312</u></b>
<b>Accumulated depreciation:</b>								
At January 1, 2013	--	--	7,901,178	1,937,051	2,661,721	634,310	470,064	13,604,324
Provided during the year	--	--	209,878	92,960	1,013,430	233,892	82,915	1,633,075
Disposal	--	--	-	(3,778)	(24,540)	--	(1,429)	(29,747)
<b>At December 31, 2013</b>	<b><u>--</u></b>	<b><u>--</u></b>	<b><u>8,111,056</u></b>	<b><u>2,026,233</u></b>	<b><u>3,650,611</u></b>	<b><u>868,202</u></b>	<b><u>551,550</u></b>	<b><u>15,207,652</u></b>
Net carrying amount								
<b>At December 31, 2013</b>	<b><u>2,350,000</u></b>	<b><u>65,474,510</u></b>	<b><u>1,802,328</u></b>	<b><u>218,983</u></b>	<b><u>3,401,015</u></b>	<b><u>415,258</u></b>	<b><u>196,566</u></b>	<b><u>73,858,660</u></b>

\*\* In prior years the Company entered into a 'Sale and Purchase Agreement' ("SPA") Lusail Qatar for a total value --to acquire a plot of land at Marina Project of QR. .seller and fully settled its liability to the 65,474,510 The legal title in respect of the plot will be transferred to the Company upon satisfaction of certain contractual terms related to the development plans in the plot. Under the SPA, the Company is committed to plan and develop the plot within a particular time period .

**DOHA INSURANCE COMPANY Q.S.C.**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

**14. PROPERTY AND EQUIPMENT (CONTINUED)**

	Freehold land QR.	Advances for the purchase of land QR.	Buildings QR.	Furniture and fixtures QR.	Computers QR.	Vehicles QR.	Office equipment QR.	Total QR.
Cost:								
At January 1, 2012	2,350,000	63,019,208	8,279,247	2,049,586	2,383,987	1,265,500	602,960	79,950,488
Additions	--	2,455,302	355,246	176,633	3,956,240	17,960	75,440	7,036,821
Disposal	--	--	(19,990)	--	--	--	(13,750)	(33,740)
At December 31, 2012	<u>2,350,000</u>	<u>65,474,510</u>	<u>8,614,503</u>	<u>2,226,219</u>	<u>6,340,227</u>	<u>1,283,460</u>	<u>664,650</u>	<u>86,953,569</u>
Depreciation:								
At January 1, 2012	--	--	7,798,348	1,833,103	2,072,694	393,257	401,218	12,498,620
Provided during the year	--	--	122,820	103,948	589,027	241,053	82,596	1,139,444
Disposal	--	--	(19,990)	--	--	--	(13,750)	(33,740)
At December 31, 2012	<u>--</u>	<u>--</u>	<u>7,901,178</u>	<u>1,937,051</u>	<u>2,661,721</u>	<u>634,310</u>	<u>470,064</u>	<u>13,604,324</u>
Net carrying amount								
At December 31, 2012	<u>2,350,000</u>	<u>65,474,510</u>	<u>713,325</u>	<u>289,168</u>	<u>3,678,506</u>	<u>649,150</u>	<u>194,586</u>	<u>73,349,245</u>

## DOHA INSURANCE COMPANY Q.S.C.

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

---

#### 15. SHARE CAPITAL

	<u>Authorised capital</u>	<u>Issued and fully paid up 2013</u>	<u>Issued and fully paid up 2012</u>
Share capital (QR.)	<u>257,400,000</u>	<u>257,400,000</u>	<u>234,000,000</u>
Number of shares of QR 10 each	<u>25,740,000</u>	<u>25,740,000</u>	<u>23,400,000</u>

The Board of Directors in its meeting held on October 22, 2013 decided to recommend to the extraordinary general assembly meeting of the Company, to increase the share capital from QR. 257,400,000 to QR. 500,000,000. This increase will be realized through a right issue of additional shares.

#### 16. LEGAL RESERVE

As required by Qatar Commercial Companies Law No. 5 of 2002 and the Company's articles of association, 10% of the profit for the year should be transferred to a legal reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital. This reserve is not available for distribution except in circumstances stipulated in the Law.

#### 17. SOCIAL AND SPORTS FUND

During the year, the Company made an appropriation from retained earnings of QR.1,676,154 (2012: QR. 1,507,148) to the Social and Sports Development Fund of Qatar. This amount represents 2.5% of the net profit attributable to shareholders for the year ended December 31, 2013. The appropriation for the year ended December 31, 2012 has been remitted to the Public Revenues and Taxes Department during the year.

#### 18. PROPOSED CASH DIVIDENDS

The Board of Directors decided in its meeting held on January 22, 2014 to propose to the forthcoming General Assembly to approve a cash dividend of 20% amounting to QR 2 per share for the year ended December 31, 2013 totalling to QR. 51,480,000 representing 20% of issued capital.

The above is subject to the approval of the shareholders in the forthcoming general assembly.

**DOHA INSURANCE COMPANY Q.S.C.**

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

**19. PROVISIONS, INSURANCE AND OTHER PAYABLES**

	<u>2013</u> QR.	<u>2012</u> QR.
Due to insurance and reinsurance companies	<b>39,451,416</b>	25,324,164
Trade payables	<b>12,125,979</b>	20,578,388
Dividend payables	<b>5,856,706</b>	4,216,987
Staff related accruals	<b>6,287,582</b>	5,811,648
Board of directors' remuneration payable	<b>5,000,000</b>	4,700,000
Net surplus attributable to Islamic Takaful policyholders	<b>3,536,348</b>	1,874,607
Provision for social and sports activities contribution	<b>1,676,154</b>	1,507,148
Accrued expenses	<b>1,508,386</b>	1,288,287
	<u><b>75,442,571</b></u>	<u>65,301,229</u>

**20. EMPLOYEES' END OF SERVICE BENEFITS**

Movements in the provision for employees' end of service benefits are as follows:

	<u>2013</u> QR.	<u>2012</u> QR.
Provision as at January 1,	<b>9,675,081</b>	8,139,789
Provided during the year	<b>1,459,684</b>	2,295,789
End of service benefits paid	<b>(1,271,955)</b>	(760,497)
<b>Provision as at December 31,</b>	<u><b>9,862,810</b></u>	<u>9,675,081</u>

**21. BOARD OF DIRECTORS' REMUNERATION**

The Board of Directors proposed an amount of QR 4,500,000 as remuneration to board members for the year 2013 (2012: QR 4,100,000). The above mentioned remuneration is included under general and administrative expenses in the statement of profit or loss.



## DOHA INSURANCE COMPANY Q.S.C.

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

#### 22. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the shareholders by the weighted average number of ordinary shares outstanding during the year.

	<u>2013</u> <u>QR.</u>	<u>2012</u> <u>QR.</u> (Restated)
Profit attributable to the shareholders (QR.)	<u>67,046,076</u>	<u>60,285,935</u>
Weighted average number of shares outstanding during the year	<u>25,740,000</u>	<u>25,740,000</u>
Basic earnings per share (QR.)	<u>2.60</u>	<u>2.34</u>

There were no potentially dilutive shares outstanding at any time during the year. Therefore, the diluted earnings per share are equal to the basic earnings per share.

The Company has restated the calculations of the comparative earnings per share as a result of the effect of bonus issue of 10% (1 for every 10 shares). The bonus issue was approved in the Annual General Meeting held on 14, March 2013.

#### 23. RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Transactions with related parties included in the statement of profit or loss are as follows:

	<u>2013</u>		<u>2012</u>	
	<u>Premiums</u> <u>QR.</u>	<u>Claims</u> <u>QR.</u>	<u>Premiums</u> <u>QR.</u>	<u>Claims</u> <u>QR.</u>
Major shareholders	<u>6,735,791</u>	<u>724,455</u>	<u>5,140,542</u>	<u>797,519</u>

Balances with related parties included in the statement of financial position are as follows:

	<u>2013</u>		<u>2012</u>	
	<u>Receivables</u> <u>QR.</u>	<u>Claims and payables</u> <u>QR.</u>	<u>Receivables</u> <u>QR.</u>	<u>Claims and payables</u> <u>QR.</u>
Major shareholders	<u>5,042,480</u>	<u>229,353</u>	<u>11,688,944</u>	<u>10,090,648</u>

## DOHA INSURANCE COMPANY Q.S.C.

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

#### 23. RELATED PARTY TRANSACTIONS (CONTINUED)

##### Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	<u>2013</u>	<u>2012</u>
	QR	QR
Board of Directors' remuneration	4,500,000	4,100,000
Directors' sitting fees	300,000	600,000
Short-term benefits	3,588,000	3,588,000
End of service and other benefits	<u>3,840,000</u>	<u>3,552,000</u>

#### 24. FAIR VALUES OF FINANCIAL INSTRUMENTS

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 available-for-sale investments 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:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	QR.	QR.	QR.	QR.
<b>December 31, 2013</b>				
<b>Financial assets</b>				
<b>Financial investment</b>	<u>263,292,884</u>	<u>64,687,056</u>	--	<u>327,979,940</u>
<b>Total</b>	<u>263,292,884</u>	<u>64,687,056</u>	--	<u>327,979,940</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	QR.	QR.	QR.	QR.
December 31, 2012				
Financial assets				
Financial investments	<u>213,434,310</u>	<u>47,794,185</u>	--	<u>261,228,495</u>
Total	<u>213,434,310</u>	<u>47,794,185</u>	--	<u>261,228,495</u>

During the year ending December 31, 2013, 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.

## DOHA INSURANCE COMPANY Q.S.C.

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

---

#### 25. RISK MANAGEMENT

The risks faced by the Company and the way these risks are mitigated by management are summarised below.

##### **Insurance risk**

The principal risk the Company faces under insurance contracts is that the actual claims and benefit 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 above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

##### ***Frequency and amounts of claims***

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly fire and general accident, motor and marine and aviation risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

##### ***Fire and general accident - Property***

Property insurance is designed to compensate contract holders for damage suffered to properties or for the value of property lost. Contract holders could also receive compensation for the loss of earnings caused by the inability to use the insured properties.

For property insurance contracts, the main risks are fire and business interruption. In recent years, the Company has only underwritten policies for properties containing fire detection equipment.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has reinsurance cover for such damage to limit total losses by treaty (including Quota share) to QR. 120 million (2012: QR. 96 million) during the year.

##### ***Motor***

Motor insurance is designed to compensate contract holders for damage suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for the fire or theft of their vehicles.

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. In recent years the Company has mainly underwritten comprehensive policies for owner/drivers over 21 years of age. Substantially all of the motor contracts relate to private individuals. The Company has reinsurance cover to limit losses for any individual claim to QR. 200,000 (2012: QR. 200,000) during the year.

The blood money for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims.

## DOHA INSURANCE COMPANY Q.S.C.

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

---

#### 25. RISK MANAGEMENT (CONTINUED)

##### **Insurance risk (continued)**

###### ***Marine***

Marine insurance is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in total or partial loss of cargoes.

For marine insurance the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered. The Company has entered into reinsurance agreements to limit total losses by treaty (including quota share) to QR. 35 million (2012: QR. 35 million) during the year.

##### **Reinsurance risk**

In common with other insurance companies, in order to minimise financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for reinsurance purposes. Such reinsurance 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 effected under treaty, facultative and excess-of-loss reinsurance contracts.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk.

Reinsurance 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 reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

##### **Concentration of risks**

The Company's insurance risk relates to policies directly written in the State of Qatar only. The segmental concentration of insurance risk is set out in Note 26.

##### **Sensitivity of changes in assumption**

The Company does not have any single insurance contract or a small number of related contracts that cover low frequency, high-severity risks such as earthquakes, or insurance contracts covering risks for single incidents that expose the Company to multiple insurance risks. The Company has adequately reinsured for insurance risks that may involve significant litigation. A 5% change in the average claims ratio will have no material impact on the statement of profit or loss.

##### **Financial risk**

The Company's principal instruments are available-for-sale investments, receivables arising from insurance and reinsurance contracts and cash and cash equivalents.

The Company does not enter into derivative transactions.

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, market price risk and liquidity risk.

## DOHA INSURANCE COMPANY Q.S.C.

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

---

#### 25. RISK MANAGEMENT (CONTINUED)

The board reviews and agrees policies for managing each of these risks which are summarised below:

##### *Regulatory framework risk*

Regulators are primarily interested in protecting the rights of the policyholders and monitor these rights 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 where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

##### *Foreign currency risk*

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

Other than balances in United States Dollars, to which the Qatari Riyal is pegged, there are no significant foreign currency financial assets due in foreign currencies included under reinsurance balances receivable.

##### *Interest rate risk*

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

The Company is exposed to interest rate risk on certain of its bank deposits. The Company limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and interest bearing investments are denominated. During the year, the Company disposed the interest bearing investments classified as held to maturity and retained only interest bearing short term bank deposits.

The following table demonstrates the sensitivity of the statement of profit or loss to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the statement of profit or loss is the effect of the assumed changes in interest rates on the Company's profit for the year, based on the floating rate financial assets and financial liabilities held at December 31, 2013.

There is no impact on the Company's equity.

	<b>Increase/decrease in basis points</b>	<b>Effect on profit for the year</b>
		QR.
<b>2013</b>	<b>+25</b>	<b>325,170</b>
	<b>-50</b>	<b>650,340</b>
<b>2012</b>	<b>+25</b>	<b>338,279</b>
	<b>-50</b>	<b>676,558</b>

**DOHA INSURANCE COMPANY Q.S.C.**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

**25. RISK MANAGEMENT (CONTINUED)**

***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.

The Company seeks to limit its credit risk with respect to customers by monitoring outstanding receivables. Premium receivables comprise a large number of customers mainly within the State of Qatar. Five companies account for 37% of the accounts receivable as of December 31, 2013 (2012: 22%). Four reinsurance companies account for 50% of the reinsurance receivables as of December 31, 2013 (2012: 53%)

The Company manages credit risk on its investments by ensuring that investments are only made with counter-parties that have a good credit rating. The Company does not have an internal credit rating of counter-parties and considers all counter-parties to be of the same credit quality.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting.

	<u>2013</u>	<u>2012</u>
	<u>QR.</u>	<u>QR.</u>
Bank balances (Note 8)	<b>186,884,514</b>	171,182,803
Reinsurance contract assets (Note 10)	<b>570,433,700</b>	708,298,517
Insurance and other receivables (Note 11)	<b>98,948,567</b>	100,395,115
<b>Total</b>	<b><u>856,266,781</u></b>	<b><u>979,876,435</u></b>

The following table provides an age analysis of financial assets as at December 31:

	<u>Total</u>	<b>Neither past due nor impaired</b>	Past due but not impaired			
			<u>&lt; 4 months</u>	<u>4 – 6 months</u>	<u>7 – 9 months</u>	<u>&gt;9 months</u>
<b>2013</b>	<b><u>856,266,781</u></b>	<b><u>758,157,208</u></b>	<b><u>44,212,716</u></b>	<b><u>23,463,921</u></b>	<b><u>14,913,950</u></b>	<b><u>15,518,986</u></b>
2012	<u>979,876,435</u>	<u>882,432,463</u>	<u>51,674,940</u>	<u>12,717,569</u>	<u>20,710,882</u>	<u>12,340,581</u>

Unimpaired financial assets are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over financial assets and all are, therefore, unsecured.

***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due. Liquidity requirements are monitored on monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. A significant amount of funds are invested in local quoted securities.

The majority of time deposits held by the Company at the end of the reporting period had original maturity periods not exceeding three months.

**DOHA INSURANCE COMPANY Q.S.C.**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

**25. RISK MANAGEMENT (CONTINUED)**

**Financial risk (continued)**

*Liquidity risk (continued)*

The table below summarises, the maturity profile of the financial liabilities of the Company based on remaining undiscounted contractual obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

	December 31, 2013				December 31, 2012			
	Less than one year	More than one year	No term	Total	Less than one year	More than one year	No term	Total
	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.
Insurance contract liabilities	212,050,295	--	473,492,156	685,542,451	193,451,384	--	628,039,819	821,491,203
Provisions, insurance and other payables	75,442,571	--	--	75,442,571	65,301,229	--	--	65,301,229
<b>Total liabilities</b>	<b>287,492,866</b>	<b>--</b>	<b>473,492,156</b>	<b>760,985,022</b>	<b>258,752,613</b>	<b>--</b>	<b>628,039,819</b>	<b>886,792,432</b>

## DOHA INSURANCE COMPANY Q.S.C.

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

---

#### 25. RISK MANAGEMENT (CONTINUED)

##### Financial risk (continued)

###### *Equity price risk*

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's equity price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices.

The Company limits equity price risk by maintaining a diversified portfolio and by monitoring the developments in equity markets. The majority of the Company's equity investments comprise securities quoted on the Qatar Exchange.

The following table demonstrates the sensitivity of the effect of cumulative changes in fair value of the Company to reasonably possible changes in the prices of equities, with all other variables held constant. The effect of decrease in equity prices is expected to be equal and opposite to the effect of the increase shown.

	<u>Changes in equity prices</u>	<u>Effect on equity QR.</u>	<u>Effect on profit QR.</u>
<b>2013</b>			
Available-for-sale investments	+5%	17,893,028	--
<b>2012</b>			
Available-for-sale investments	+5%	14,643,244	--

###### *Capital management*

Capital requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Company to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximise shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends to shareholders or issue capital securities.

#### 26. SEGMENT INFORMATION

For management purposes, the Company is organised into three business segments, marine and aviation, motor and fire and general. These segments are the basis on which the Company reports its primary segment information. Other operations of the Company comprise investment and cash management for the Company's own account. There are no transactions between segments.

The data with respect to segment information is as disclosed in note 5 to the financial statements.

The Company operates in the State of Qatar only. The associate company operates in the Republic of Yemen.



**DOHA INSURANCE COMPANY Q.S.C.**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

**26. SEGMENT INFORMATION (CONTINUED)**

Revenues, expenses, assets and liabilities of the Company and its Islamic Takaful Branch are as follows:

	2013			2012		
	Conventional insurance	Takaful insurance	Total	Conventional insurance	Takaful insurance	Total
	QR.	QR.	QR.	QR.	QR.	QR.
Gross premiums	471,220,653	45,448,815	516,669,468	423,159,058	45,703,045	468,862,103
Reinsurers' share of gross premiums	(381,075,723)	(29,336,266)	(410,411,989)	(333,753,661)	(28,903,476)	(362,657,137)
Net premiums	90,144,930	16,112,549	106,257,479	89,405,397	16,799,569	106,204,966
Change in unexpired risk reserve	(203,887)	272,507	68,620	(2,270,559)	(2,193,868)	(4,464,427)
Earned insurance premiums	89,941,043	16,385,056	106,326,099	87,134,838	14,605,701	101,740,539
Commissions received	27,764,514	866,080	28,630,594	30,318,229	886,420	31,204,649
Change in deferred commissions	1,034,962	(20,617)	1,014,345	(2,936,577)	53,587	(2,882,990)
Wakalah fee	3,265,613	(3,265,613)	--	3,223,847	(3,223,847)	--
Total underwriting revenues	122,006,132	13,964,906	135,971,038	117,740,337	12,321,861	130,062,198
Claims paid	(84,663,413)	(10,379,233)	(95,042,646)	(369,933,682)	(7,188,501)	(377,122,183)
Reinsurers' share of claims	39,828,529	48,607	39,877,136	332,835,163	9,974	332,845,137
Change in outstanding claims reserve	(1,897,641)	(1,101,389)	(2,999,030)	(51,929)	(6,966,416)	(7,018,345)
Commission paid	(4,978,300)	(565,822)	(5,544,122)	(4,775,247)	(638,183)	(5,413,430)
Net underwriting results	70,295,307	1,967,069	72,262,376	75,814,642	(2,461,265)	73,353,377
Investment and other income	49,601,710	301,937	49,903,647	33,373,492	321,993	33,695,485
Total expenses	(52,850,941)	(607,265)	(53,458,206)	(48,902,199)	(375,676)	(49,277,875)
<b>Profit for the year</b>	<b>67,046,076</b>	<b>1,661,741</b>	<b>68,707,817</b>	<b>60,285,935</b>	<b>(2,514,948)</b>	<b>57,770,987</b>
<b>Assets</b>						
Total assets	1,273,554,995	45,828,677	1,319,383,672	1,336,055,358	41,941,581	1,377,996,939
<b>Liabilities</b>						
Insurance contract liabilities	(654,506,538)	(31,035,913)	(685,542,451)	(791,947,903)	(29,543,300)	(821,491,203)
Net surplus attributable to Islamic Takaful policyholders	--	(3,536,348)	(3,536,348)	--	(1,874,607)	(1,874,607)
Liabilities (other than insurance funds)	(75,512,617)	(6,256,416)	(81,769,033)	(67,578,029)	(5,523,674)	(73,101,703)
<b>Net assets</b>	<b>543,535,840</b>	<b>5,000,000</b>	<b>548,535,840</b>	<b>476,529,426</b>	<b>5,000,000</b>	<b>481,529,426</b>

**DOHA INSURANCE COMPANY Q.S.C.**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

---

**27. CONTINGENCIES AND COMMITMENTS**

*Guarantees*

At December 31, 2013, the Company had contingent liabilities in respect of tender guarantees and other guarantees from which it is anticipated that no material liabilities will arise, amounting to QR. 1,442,535 (2012: QR. 659,097).

*Legal claims*

The Company is subject to litigation 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 condition.

**28. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the current year's presentation.

**DOHA INSURANCE COMPANY Q.S.C.****SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2013

**ISLAMIC TAKAFUL BRANCH OF DOHA INSURANCE COMPANY Q.S.C.**

The statement of financial position and statement of profit or loss of the Branch are presented below:

**(i) Statement of financial position as at December 31**

	<u>2013</u>	<u>2012</u>
	QR.	QR.
<b>PARTICIPANTS' OPERATIONS ASSETS</b>		
Cash on hand	5,000	2,848
Bank balances (Islamic banks)	23,454,784	23,379,483
Reinsurance contract assets	12,805,327	12,162,212
Due from policy holders	5,270,702	2,296,873
Reinsurers' share of claims paid	3,291,790	3,819,196
Prepayments and other assets	852,030	67,917
Property and equipment	149,044	213,052
<b>TOTAL ASSETS</b>	<u>45,828,677</u>	<u>41,941,581</u>
<b>PARTICIPANTS' FUNDS AND LIABILITIES</b>		
<b>PARTICIPANTS' FUND</b>		
Participants' account	<u>8,536,348</u>	<u>6,874,607</u>
<b>Liabilities</b>		
Insurance contract liabilities	34,512,881	32,992,542
Provisions, insurance and other payables	2,779,448	2,074,432
<b>TOTAL LIABILITIES</b>	<u>37,292,329</u>	<u>35,066,974</u>
<b>TOTAL PARTICIPANTS' FUND AND LIABILITIES</b>	<u>45,828,677</u>	<u>41,941,581</u>

**(ii) Statement of profit or loss for the year ended December 31, 2013**

	<u>2013</u>	<u>2012</u>
	QR.	QR.
<b>PARTICIPANTS' REVENUES AND EXPENSES</b>		
<b>REVENUE</b>		
Net Takaful revenue	1,967,069	(2,461,265)
Other income	301,937	321,993
	<u>2,269,006</u>	<u>(2,139,272)</u>
<b>EXPENSES</b>		
General and administrative expenses	(543,257)	(312,825)
Depreciation expense	(64,008)	(62,851)
<b>TOTAL TAKAFUL EXPENSES</b>	<u>(607,265)</u>	<u>(375,676)</u>
<b>NET DEFICIT FOR THE YEAR TRANSFERRED TO PARTICIPANTS' FUND</b>	<u>1,661,741</u>	<u>(2,514,948)</u>