DOHA INSURANCE GROUP Q.P.S.C.
DOHA - QATAR

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2017

DOHA INSURANCE GROUP Q.P.S.C.

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

The Shareholders,
Doha Insurance Group Q.P.S.C.
Doha, Qatar

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Doha Insurance Group Q.P.S.C. (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017, and its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of these consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (continued)

<table>
<tr><th>Key Audit Matters</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Valuation of Claims reported and unsettled, Unearned premiums ("UPR") and Claims incurred but not reported reserves ("IBNR")</td></tr>
<tr><td>The Group's insurance contract liabilities represent a significant portion of the total liabilities. Due to the magnitude of the balances and the estimation uncertainty and subjectivity involved in the assessment of these liabilities we have considered the valuation of the insurance contract liabilities as a key audit matter. The estimation of insurance contract liabilities, in particular the outstanding claims reserve and the incurred but not reported reserve, involves a significant degree of judgement. These liabilities are based on the best-estimate of the ultimate cost of all claims incurred but not settled at a given date, whether reported or not. A range of methods may be used to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

A summary of these liabilities is provided in Note 19 to the consolidated financial statements.</td><td>We performed specific audit procedures which were a combination of internal control reliance strategy and specific substantive procedures focusing on the significant risk. Such procedures, include, but not limited to;

• Assessing the appropriateness and consistency of reserving methodologies used in the computation of reserves held by the Group, including sensitivity of such reserves to changes in key assumptions and judgements;

• Assessing the development of Outstanding claims and IBNR by performing a review of retrospective historical performance of the estimates and judgements made by the Group; and

• Used relevant experts to evaluate key assumptions and methodologies used by actuarial experts of management.</td></tr>
<tr><td colspan="2">Impairment of Investments</td></tr>
<tr><td>The Group's investment securities, as set out in Note 9 to the consolidated financial statements, include available-for-sale ("AFS") investments with a carrying value of QR 468 million as at December 31, 2017.

International Financial Reporting Standards require an assessment at each reporting date to determine whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Identifying impairment indications and the determination of what is 'significant' or 'prolonged' requires management judgement. In making this judgement, the management evaluates, amongst other factors, the duration or extent to which the fair value of an investment is less than its cost.

Due to the subjectivity in assessment of impairment indicators, use of judgments and assumptions in measuring impairment losses and the magnitude of the account balance, this is considered to be a key audit matter.</td><td>We performed selected audit procedures on the impairment of investments, detailed as follows:
1. Tested and challenged management rationale for the key judgements used in the impairment review;
2. Reviewed management assessments of significant and prolonged decline in available for sale quoted and unquoted investments (covering equity and debt instruments) and, for any potentially impaired investments, we reviewed management's assessment as to whether any additional impairment loss is required to be recorded at each investment level.</td></tr>
</table>

Other information

The Board of Directors is responsible for the other information. The other information comprises the Board of Directors' Report which we obtained prior to the date of this auditor's report, but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Those Charged With Governance for the Consolidated Financial Statements

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

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

- Identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure is inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were most of significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosures about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Report on Legal and Other Regulatory Matters

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

Doha – Qatar
March 15, 2018

For **Deloitte & Touche**
Qatar Branch

M Salha

Midhat Salha
Partner
License No. 257
QFMA Auditor License No. 120156

DOHA INSURANCE GROUP Q.P.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2017

	Notes	2017	2016
		QR.	QR.
ASSETS			
Cash and bank balances	8	**465,633,719**	516,025,395
Financial investments	9	**472,007,436**	478,389,968
Reinsurance contract assets	19	**406,690,001**	299,211,177
Insurance and other receivables	10	**250,267,318**	185,359,627
Investments in associates	11	**19,583,559**	16,362,429
Investment properties	12	**214,430,303**	157,488,651
Property and equipment	13	**13,005,984**	8,658,774
Total assets		**1,841,618,320**	1,661,496,021
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**500,000,000**	500,000,000
Legal reserve	15	**359,244,913**	355,029,233
Fair value reserve		**(459,983)**	48,429,720
Foreign currency translation reserve		**738,314**	(1,255,776)
Retained earnings		**178,713,005**	171,825,804
Total equity		**1,038,236,249**	1,074,028,981
Liabilities			
Insurance contract liabilities	19	**632,591,864**	464,947,936
Borrowings	16	**31,940,250**	--
Provisions, insurance and other payables	20	**122,806,012**	106,497,839
Employees' end of service benefits	21	**16,043,945**	16,021,265
Total liabilities		**803,382,071**	587,467,040
Total equity and liabilities		**1,841,618,320**	1,661,496,021

Nawaf Bin Nasser Bin Khaled Al Thani
Chariman

Jassim Ali A. Al-Moftah
Chief Executive Officer

THE ACCOMPANYING NOTES ARE INTEGRAL PARTS OF THESE CONSOLIDATED FINANCIAL STATEMENTS

DOHA INSURANCE GROUP Q.P.S.C.

CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31, 2017

	Notes	2017 QR.	2016 QR.
Gross premiums		**543,192,445**	515,510,293
Reinsurers' share of gross premiums		**(323,586,522)**	(340,276,335)
Net premiums written		**219,605,923**	175,233,958
Change in unearned premium reserve		**(20,084,408)**	(17,619,595)
Net premiums earned		**199,521,515**	157,614,363
Commission income		**32,011,126**	32,729,046
Total underwriting revenues		**231,532,641**	190,343,409
Gross claims paid		**(133,096,326)**	(136,506,608)
Reinsurers' share of claims paid		**39,931,441**	61,798,003
Change in outstanding claims reserve		**(34,515,119)**	(3,800,753)
Commission expenses		**(29,412,506)**	(23,585,760)
Other technical expenses		**(3,075,500)**	(1,737,993)
NET UNDERWRITING RESULTS	23	**71,364,631**	86,510,298
Investment income	5.1	**56,800,938**	88,062,741
Investment losses	5.2	**(11,490,384)**	(32,643,480)
Share of results of associates	11	**4,189,867**	6,608,527
Other income		**4,763**	392,951
INVESTMENT AND OTHER INCOME		**49,505,184**	62,420,739
General and administrative expenses	6	**(73,441,068)**	(72,321,217)
Finance cost		**(484,747)**	--
Depreciation of investment properties	12	**(2,242,034)**	(1,376,487)
Depreciation of property and equipment	13	**(2,180,401)**	(2,214,191)
TOTAL EXPENSES		**(78,348,250)**	(75,911,895)
PROFIT FOR THE YEAR BEFORE ALLOCATION TO TAKAFUL BRANCH POLICYHOLDERS		**42,521,565**	73,019,142
Net surplus attributable to Takaful branch policyholders		**(364,764)**	(769,517)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		**42,156,801**	72,249,625
Basic and diluted earnings per share	7	**0.84**	1.44

THE ACCOMPANYING NOTES ARE INTEGRAL PARTS OF THESE CONSOLIDATED FINANCIAL STATEMENTS

DOHA INSURANCE GROUP Q.P.S.C.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2017

	Notes	2017	2016
		QR.	QR.
Profit attributable to shareholders		**42,156,801**	72,249,625
Other comprehensive income			
Items that may be reclassified subsequently to statement of profit or loss			
Fair value reserve recycled upon sale of available-for-sale investments		**(14,004,475)**	(44,766,864)
Transfer to consolidated statement of income on impairment of available-for-sale financial investments	9	**7,838,588**	32,197,009
Net movement in fair value of available-for-sale financial investments	9	**(42,692,756)**	(7,645,629)
Share of other comprehensive income of associate	11	**(31,060)**	(77,603)
Exchange differences on translating foreign operations		**1,994,090**	(1,173,565)
Other comprehensive loss for the year		**(46,895,613)**	(21,466,652)
Total comprehensive (loss) / income for the year		**(4,738,812)**	50,782,973

THE ACCOMPANYING NOTES ARE INTEGRAL PARTS OF THESE CONSOLIDATED FINANCIAL STATEMENTS

DOHA INSURANCE GROUP Q.P.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2017

	Share capital	**Legal reserve**	**Fair value reserve**	**Foreign currency translation reserve**	**Retained earnings**	**Total**
	QR.	**QR.**	**QR.**	**QR.**	**QR.**	**QR.**
Balance at December 31, 2016	500,000,000	355,029,233	48,429,720	(1,255,776)	171,825,804	1,074,028,981
Profit attributable to shareholders	--	--	--	--	42,156,801	42,156,801
Other comprehensive income for the year	--	--	(48,889,703)	1,994,090	--	(46,895,613)
Total comprehensive loss for the year	--	--	(48,889,703)	1,994,090	42,156,801	(4,738,812)
Transfer to legal reserve (Note 15)	--	4,215,680	--	--	(4,215,680)	--
Social and sports activities fund (Note 17)	--	--	--	--	(1,053,920)	(1,053,920)
Dividends paid	--	--	--	--	(30,000,000)	(30,000,000)
Balance at December 31, 2017	**500,000,000**	**359,244,913**	**(459,983)**	**738,314**	**178,713,005**	**1,038,236,249**

	Share capital	Legal reserve	Fair value reserve	Foreign currency translation Reserve	Retained earnings	Total
	QR.	QR.	QR.	QR.	QR.	QR.
Balance at January 1, 2016	500,000,000	340,579,308	68,722,807	(82,211)	165,832,345	1,075,052,249
Profit attributable to shareholders	--	--	--	--	72,249,625	72,249,625
Other comprehensive income for the year	--	--	(20,293,087)	(1,173,565)	--	(21,466,652)
Total comprehensive income for the year	--	--	(20,293,087)	(1,173,565)	72,249,625	50,782,973
Transfer to legal reserve (Note 15)	--	14,449,925	--	--	(14,449,925)	--
Social and sports activities fund (Note 17)	--	--	--	--	(1,806,241)	(1,806,241)
Dividends paid	--	--	--	--	(50,000,000)	(50,000,000)
Balance at December 31, 2016	500,000,000	355,029,233	48,429,720	(1,255,776)	171,825,804	1,074,028,981

THE ACCOMPANYING NOTES ARE INTEGRAL PARTS OF THESE CONSOLIDATED FINANCIAL STATEMENTS

DOHA INSURANCE GROUP Q.P.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2017

	2017 QR.	2016 QR.
OPERATING ACTIVITIES		
Profit attributable to shareholders	**42,156,801**	72,249,625
Adjustments for:		
Impairment of financial investments	**7,838,588**	32,197,009
Reinsurers' share of unearned premium	**29,329,344**	16,301,811
Provision for employees' end of service benefits	**2,622,073**	2,390,944
Depreciation of property and equipment	**2,180,401**	2,214,191
Depreciation of investment properties	**2,242,034**	1,376,487
Unrealised loss on investments held at fair value through profit or loss	**1,972,799**	1,175,702
Gain on disposal of property and equipment	**(5,000)**	(193,732)
Share in results of associates	**(4,189,867)**	(6,608,527)
Interest income	**(14,619,937)**	(11,799,120)
Dividend income	**(18,089,520)**	(25,523,143)
Net movement in unearned premium	**(49,413,755)**	(33,921,406)
Interest expense	**484,747**	--
Net loss (gain) on sale of financial investments	**14,004,475**	(44,766,864)
Operating profit before changes in operating assets and liabilities	**16,513,183**	5,092,977
Increase in insurance and other receivables	**(64,907,691)**	(70,396,837)
Decrease in insurance reserves	**80,249,514**	34,646,655
Increase in provisions, insurance and other payables	**17,060,493**	19,542,989
Cash generated from (used in) operations	**48,915,499**	(11,114,216)
Employees' end of service benefits paid	**(2,599,393)**	(3,540,136)
Net cash flows generated from (used in) operating activities	**46,316,106**	(14,654,352)
INVESTING ACTIVITIES		
Purchase of financial investments	**(118,753,386)**	(62,017,254)
Proceeds from disposal of financial investments	**52,461,415**	139,531,296
Dividend received	**18,089,520**	25,523,143
Interest received	**14,619,937**	11,799,120
Deposits made	**(220,163,095)**	--
Purchase of investment properties, net	**(57,564,010)**	--
Purchase of property and equipment	**(6,544,010)**	(1,729,490)
Dividends received from associates	**388,480**	8,943,354
Acquisition of an associate	--	(6,750,000)
Proceeds from disposal of property and equipment	**21,399**	223,509
Net cash flows (used in) generated from investing activities	**(317,443,750)**	115,523,678

	2017	2016
	QR.	QR.
FINANCING ACTIVITIES		
Payment of contribution to Social and Sports Activities Fund	**(1,806,241)**	(2,774,176)
Finance cost	**(484,747)**	--
Borrowings withdrawn	**33,633,024**	--
Borrowings repaid	**(769,163)**	--
Dividends paid	**(30,000,000)**	(50,000,000)
Net cash flows used in financing activities	**572,873**	(52,774,176)
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	**(270,554,771)**	48,095,150
Cash and cash equivalents at January 1	**516,025,395**	467,930,245
CASH AND CASH EQUIVALENTS AT DECEMBER 31 (Note 8)	**245,470,624**	516,025,395

1. ACTIVITIES

Doha Insurance Group Q.P.S.C. (the "Company") (previously known as "Doha Insurance Company Q.S.C"), is a Qatari public shareholding company registered and incorporated in the State of Qatar under Emiri Decree No. 30 issued on October 2, 1999. It is engaged in the business of insurance and reinsurance in State of Qatar. The shares of the Company are listed on Qatar Exchange Doha. The Company, by a resolution passed in Extraordinary General Assembly held on March 7, 2017, changed its name to "Doha Insurance Group Q.P.S.C".

In 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 information of the Branch, not separately audited or reviewed by the auditors, are disclosed in Note 28 to these consolidated financial statements as other information. During the year, the Branch has applied to the Regulators for conversion into a Company.

The consolidated financial statements of the Group consolidates the assets, liabilities and operational performance of the Company and its subsidiaries (together "the Group") detailed below.

i. On October 21, 2015, MENA RE Underwriters Limited, a limited liability company engaged in insurance intermediation and management, was incorporated in Dubai, UAE with a registration number of CL1984. The registered and paid up capital of the Subsidiary is wholly subscribed and owned by the Company.
ii. On December 21, 2016, the Company invested 100% in share capital of Barzan Technology Solutions, a company incorporated in Jordan having business activities of providing information technology solutions and also engaged in real estate and investment activities. The subsidiary has commenced its operations during the second half of the year 2017.
iii. On December 27, 2016, the Company invested 100% in the equity of Schwenke Zentrum S.a.r.l, a company duly incorporated under the laws of Grand Duchy of Luxembourg. The subsidiary is engaged in real estate holding and leasing operations for a property located in Germany.

These consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on February 5, 2018.

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

2.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2017, have been adopted in these financial statements..

- **Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12**

The Group has applied the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014-2016 cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group (see Note 2.2).

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

2.1 New and revised IFRSs applied with no material effect on the financial statements (continued)

- **Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12 (continued)**

IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Group's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

- **Amendments to IAS 7 Disclousre Initiative**

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Group's liabilities arising from financing activities consist of borrowings (Note 16) and certain other financial liabilities (Note 19). A reconciliation between the opening and closing balances of these items is reflected in the cash flows statement. The application of these amendments has had no impact on the Group's financial statements.

2.2 New and revised IFRSs in issue but not yet effective

- **IFRS 17 'Insurance contracts' with effect from January 1, 2021**

IFRS 17 provides guidance on accounting for insurance contracts. For general insurance contracts, IFRS 17 introduces new accounting principles and estimates such as mandatory discounting of loss reserves that are 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 (more than 12 months) written by the Group as well as revenue recognition under insurance contracts. The Group is in the process of performing an impact analysis for it insurance products as well as documentation of changes to Group'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 Group has no plans to early adopt IFRS 17 prior to its mandatory application date.

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

2.2 New and revised IFRSs in issue but not yet effective (continued)

- **Amendments to IFRS 4 "Insurance contracts"**

The IASB issued an amendment to IFRS 4 in September 2016, introducing a temporary exemption from the adoption of IFRS 9 for reporting entities that have not previously applied any version of IFRS 9 and whose activities are predominantly related to insurance. Based on the predominance testing performed by the Group, the ratio of insurance contract liabilities to total liabilities exceeded 90% of total liabilities. However, the Group has decided not to opt for any options given in said amendments to IFRS 4 "Insurance contracts" and concluded to apply IFRS 9 w.e.f. from January 1, 2018, as there is no material mismatch in income expected due to early adoption of IFRS 9.

- **Impact of applying IFRS 9 "Financial Instruments"**

The Group will adopt IFRS 9 on January 1, 2018 and will not restate the comparative information in accordance with applicable Qatar Central Bank (QCB) guidelines.

The Group has assessed the initial impact of applying IFRS 9 to its financial statements and summarized below the preliminary impact. The actual impacts of adopting IFRS 9 may change because of pending decision on Date of Initial Application ("DIA") and changes to accounting policies.

(i) Financial assets

		Classification impact		Measurement
	Reported balance as at Dec 31, 2017 (QR.)	Current classification	IFRS 9 classification	
Equity Instruments	3,668,351	Held-for-trading	FVTPL	No impact
Debt Instruments	34,686,737	Available-for-sale	FVTOCI	1*
Equity investments in private companies	40,901,708	Available-for-sale	FVTOCI– irrevocable	2 *
Funds	63,313,088	Available-for-sale	FVTOCI - irrevocable	2*
Equity Instruments	329,437,552	Available-for-sale	FVTOCI - irrevocable	2*

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

2.2 New and revised IFRSs in issue but not yet effective (continued)

- **Impact of applying IFRS 9 (continued)**

(i) Financial assets (continued)

1* Applying Expected Credit Loss Model on Debt instruments may not result in material impairment losses to be accounted as at DIA due to absence of any losses/credit rating deterioration since purchase of debt instruments. Historically, the Group has not recognized any impairment losses on AFS Debt instruments and nothing to be reversed on DIA.

2* Impairment assessment as per IAS 39 will not be required to be made under IFRS 9, however FVTOCI classification is irrevocable. Any gain or loss or fair value reserve recognized on equity will not be recycled to the profit or loss on sale of investment. Further, impairment losses previously recognized in these investments are reversed to Retained earnings by reducing the relevant fair value reserve in the equity as at Jan 1, 2018

Reinsurance receivables continued to be assessed for impairment as per IFRS 4 and the Group did not hold any hedge instruments.

(ii) Financial liabilities

The Group did not have any financial liabilities classified as "FVTPL" and did not expect to classify any liability as FVTPL on DIA of IFRS 9. Hence, there is no indication of any impact on financial liabilities at January 1, 2018.

(iii) Disclosures

IFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of IFRS 9.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9 and IFRS 17 as highlighted in previous paragraphs, will have no material impact on the financial statements of the Group in the period of initial application.

- **IFRS 15 Revenue from Contracts with Customers**

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The insurance contracts are continued to be governed by IFRS 4. IFRS 15 will be adopted in the Company's financial statements for the annual period beginning January 1, 2018 and the management anticipates there will not be material impact from the application of IFRS 15 on amounts reported and disclosures made in the Group's consolidated financial statements.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standard Board (IASB), and applicable provisions of Qatar Commercial Companies Law No. 11 of 2015 and Qatar Central Bank's rules and regulations.

Basis of measurement

The consolidated financial statements are prepared under the historical cost convention, except for certain financial investments which are carried at fair value. The methods used to measure fair values are discussed further in Note 3.

Functional and presentational currency

The consolidated financial statements are presented in Qatari Riyal (QR), which is the Group's functional and presentational currency.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group controls an investee if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements, and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in the other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Transactions eliminated on consolidation

Inter-company balances and transactions, and any unrealised gains arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent liabilities at the reporting date. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Information about significant areas of estimates and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are included in Note 4.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 becomes 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 principally on the basis of actual number of days' method (daily pro-rata basis).

Commission earned and paid

Commissions received and paid are taken into profit or loss during the relevant period over the terms of underlying 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.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method and are treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of profit or loss. Deferred commissions are also considered in the liability adequacy test for each reporting period.

Claims

Claims consist of amount 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 Group'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 Group 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.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liabilities adequacy test

At the end of the reporting period, the Group assesses whether its recognised 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 consolidated statement of income.

Reinsurance

The Group 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 Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is immediately recognised in the profit or loss during the relevant period of impairment.

Ceded reinsurance arrangements do not relieve the Group from its immediate obligatios to policyholders.

Premiums and claims on assumed reinsurance are recognised as income and expense 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.

Net earned premiums

Premiums, net of reinsurance, are taken to income over the terms of the related contracts or policies. The portion of premium received on in-force contracts that relates to unexpired risks at the statement of financial position date is reported as the unearned premium liability.

Investment income

Rental income from investment properties is recognised in the consolidated statement of income on a straight line basis over the period of the lease. Investment income also includes dividends, which are recognised when the right to receive the same is established. Interest income is recognised in the consolidated statement of income as it accrues.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Asset held-for-sale

Assets and disposal groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets (and disposal groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Property and equipment is not depreciated once classified as held-for-sale.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss during the relevant period in which they are incurred.

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

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

The estimated useful lives, residual values and depreciation methods are reviewed at each statement of financial position date, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss during the relevant period they are incurred.

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 20-33 years. Land held as investment properties is not depreciated.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties (continued)

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 consolidated statement of income in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group's investments in associates is accounted for under the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investments in associates. Where necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36, Impairment of Assets, as a single asset by comparing its recoverable amount (higher of value in use and fair value less cost to sell) with its carrying amount. Any impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held-for-sale. When the Group retains an interest in the former associate and retained interest in a financial asset, the Group measures the retained interest at the fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate as at the date in which the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in the other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as reclassification adjustment) when the equity method is discontinued.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates (continued)

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in the profit or loss duirng the year in those expense categories consistent with the function of the impaired asset, except for assets previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

Assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss during the period unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments - initial recognition and subsequent measurement

Financial assets

Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset. The Group's financial assets comprise of cash and bank balances, financial investments, reinsurance contract assets, and insurance and other receivables.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as described in the subsequent paragraph:

Cash and cash equivalents

For the purpose of consolidated 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.
Financial investments

Available-for-sale financial investments
Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the fair value reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the fair value reserve to the comprehensive statement of comprehensive income under impairment losses on available-for-sale investments. Interest earned while holding available-for-sale financial investments is reported as interest income using the effective interest method.

The Group evaluates the ability and intention to sell its available-for-sale financial investments in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for forseeable future or until maturity.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments - initial recognition and subsequent measurement (continued)

Financial investments (continued)

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised costs and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the profit or loss during that period.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the profit or loss during that period.

Insurance and other receivables

Insurance and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit or loss during that period when there is objective evidence of that the asset is impaired.

Reinsurance contract assets

The Group cedes insurance risk in the normal course of business for its businesses. Reinsurance assets represent balances recoverable from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurers' policies and are in accordance with the related reinsurance contract.

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

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

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments - initial recognition and subsequent measurement (continued)

Reinsurance contract assets (continued)

Derecognition (continued)
When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re organisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For available-for-sale financial investments, the Group assesses at each reporting date whether there is any objective evidence that an investment or a group of investments is impaired.

Objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of comprehensive income - is removed from other comprehensive income and recognised in the the profit or loss during that period. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments - initial recognition and subsequent measurement (continued)

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models

Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. The Group's financial liabilities include insurance contract liabilities, due to insurance and reinsurance companies, trade payables, dividends and board of directors' remuneration payables and net surplus attributable to Islamic Takaful policyholders.

Insurance contract liabilities

Insurance contract liabilities include the outstanding claims provision, provision for claims incurred but not reported and the provision for unearned premium and deferred commissions.

Amounts payable for insurance claims reported up to the reporting period end and the amount payable to reinsurance companies are accrued as a liability payable. The insurance claims are accrued on the basis of the actual losses reported against the policies underwritten by the Group during the year

Provision for claims incurred but not reported are computed based on past claim settlement trends to predict future claims settlement trends.

Unearned premiums represent the portion of net premiums written relating to the unexpired period of risk coverage after considering the unexpired period of underlying insurance contract and any unexpired risk. The change in the provision for unearned premium is taken to the profit or loss during that period in order that revenue is recognised over the period of risk.

Trade payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods, assets or services received, whether billed by the supplier or not. The financial liabilities are subsequently measured at amortised cost using the (Effective Interest Rate) EIR method.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments - initial recognition and subsequent measurement (continued)

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.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss during that period.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Employees' end of service benefits

Under the law No. 14 of 2004, the Group provides for 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. The expected costs of these benefits are accrued over the period of employment.

Pension plan

The Group is also required to make contributions to a Government fund scheme for Qatari employees calculated as a percentage of the Qatari employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Provisions

Provisions are recognised when the Group 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.

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 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 profit or loss during that period except when it relates to items where gains or losses are recognized directly in equity, where the gain or loss is then recognized net of the exchange component in equity.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

Earnings per share

Basic earnings per share is calculated by dividing profit of loss attributable to ordinary equity holders of the Group 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 effect of any dilutive instruments.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosures of contingent liabilities. Uncertainty about assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Following are the key judgments, as well as assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date.

Classification of investments

Management decides on acquisition of a financial investment whether it should be classified as Held-to-maturity, Held for trading designated as fair value through profit or loss, or Available-for-sale.

For those debt instruments classified as held-to-maturity, management ensures that the requirements of IAS 39 are met and in particular that the Group has the intent and ability to hold these investments to maturity.

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

If the Group'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.

Fair value measurement of financial instruments

When the fair values of financial assets and liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using appropriate valuation techniques.The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Impairment of financial investments

The Group treats available-for-sale 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 judgment. "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 Group 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 judgment by management is required in the estimation of amounts due to claimants 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 judgment and uncertainly 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 and by using certain actuarial assumptions.

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.

Unearned premium reserve

The Group's estimate of the unearned premium reserve is based on current insurance industry practices in Qatar and other analysis. The Group monitors its premium growth periodically and ascertains that difference between the estimate calculation based on the actual number of days method (daily pro-rata basis) is not materially different had the Group calculated the reserve on an actual basis.

Impairment of reinsurance and policyholders receivable

An estimate of the collectible amount of policholders receivable is made when collection of the full amount is no longer probable. For individually significant amounts, the 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.

The Group is exposed to disputes with, and possibility of defaults by, its reinsurers. The Group monitors on a quarterly basis the evolution of disputes with credit ratings and solvency strength of its reinsurers. Any significant credit risk increase could result in impairment of reinsurance balances from reinsurers.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Impairment of property and equipment

At each reporting date, the Group 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 Group estimates the recoverable amount of the cash generating unit to which the asset belongs. The recoverable amount is the higher of fair value less cost 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.

Impairment of investment properties

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market price less incremental costs for disposing the asset.

5. NET INVESTMENT INCOME

5.1. Investment income

	2017	2016
	QR.	QR.
Net gain on sale of financial investments	**14,004,475**	44,766,864
Dividend income	**18,089,520**	25,523,143
Interest income	**14,619,937**	11,799,120
Rental income from investment properties	**10,087,006**	5,973,614
	56,800,938	88,062,741

5.2. Investment loss

	2017	2016
	QR.	QR.
Net loss on sale of investments held at fair value through profit or loss	**(3,651,796)**	(446,471)
Impairement of financial investments (Note 9)	**(7,838,588)**	(32,197,009)
	(11,490,384)	(32,643,480)
Net investment income	**45,310,554**	55,419,261

6. GENERAL AND ADMINISTRATIVE EXPENSES

	2017 QR.	2016 QR.
Salaries and other staff costs	**57,417,324**	53,281,523
Rent, maintenance and office expenses	**4,833,588**	4,395,338
Legal and consultation fees	**1,988,903**	2,212,022
Advertisement and business promotion	**1,479,525**	1,972,379
Business travel	**967,293**	837,721
Training expenses	**862,494**	631,711
Government fees	**840,670**	1,414,444
Communication	**789,007**	958,559
Board of Directors' remuneration (Note 24)	**500,000**	2,000,000
Contributions	**348,193**	1,207,920
Printing and stationery	**371,401**	304,345
Other allowances for the Board of Directors (Note 24)	**250,000**	900,000
Miscellaneous expenses	**2,792,670**	2,205,255
	73,441,068	72,321,217

7. BASIC AND DILUTED 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.

	2017	2016
Profit for the year attributable to the shareholders (QR.)	**42,156,801**	72,249,625
Weighted average number of shares outstanding during the year	**50,000,000**	50,000,000
Basic and diluted earnings per share (QR.)	**0.84**	1.44

There are no dilutive potential ordinary shares for the years ended 2017 and 2016.

8. CASH AND CASH EQUIVALENTS

	2017 QR.	2016 QR.
Bank balances and short term deposits	**465,318,031**	515,846,679
Cash on hand	**315,688**	178,716
Cash and bank balances	**465,633,719**	516,025,395
Less: Short term deposits maturing more than 3 months	**220,163,095**	--
Cash and cash equivalents	**245,470,624**	516,025,395

Short term deposits consist of fixed deposits amounting to QR 365,352,678 (2016: QR 435,227,418) bearing interest at the rate of 1.00% to 3.75% per annum (2016: 2.75% to 3.25% per annum) classified as cash equivalents.

9. FINANCIAL INVESTMENTS

	2017	2016
	QR.	QR.
Investments held at fair value through profit or loss (FVTPL)		
Quoted shares	**3,668,351**	7,628,342
Available-for-sale investments (AFS)		
Quoted shares	**329,437,552**	344,338,983
Unquoted shares	**104,214,796**	92,941,222
Debt securities with fixed interest rate	**34,686,737**	33,481,421
	472,007,436	478,389,968

The debt securities carry interest at 3% to 6% per annum and have maturity periods of 5 to 10 years.

Included in the investments available for sale are unquoted equity securities with a value of QR 40,901,708 (December 31, 2016: QR 36,081,780) which are carried at cost as the fair value could not be reliably measured. Information for such investments is usually restricted to periodic investment performance reports from the investment managers. Management has performed a review of its unquoted investments to assess whether impairment has occurred in the value of these investments. Based on the latest financial information available in respect of these investments and their operations, management is of the view that the value of these investments is not impaired.

The movement in the Group's available-for-sale investments and fair value through profit or loss and is shown below:

	AFS	FVTPL	Total
	QR.	**QR.**	**QR.**
At January 1, 2017	**470,761,626**	**7,628,343**	**478,389,969**
Purchases	**111,521,406**	**7,231,980**	**118,753,386**
Disposals	**(57,248,212)**	**(9,219,173)**	**(66,467,385)**
Realised fair value gains / losses	**(6,164,391)**	**(1,972,799)**	**(8,137,190)**
Fair value movements recorded in OCI	**(42,692,756)**	--	**(42,692,756)**
Impairment	**(7,838,588)**	--	**(7,838,588)**
At December 31, 2017	**468,339,085**	**3,668,351**	**472,007,436**

	AFS	FVTPL	Total
	QR.	QR.	QR.
At January 1, 2016	556,886,741	7,838,600	564,725,341
Purchases	51,434,556	10,582,698	62,017,254
Disposals	(85,147,178)	(9,617,254)	(94,764,432)
Realised fair value gains / losses	(12,569,855)	(1,175,702)	(13,745,557)
Fair value gains recorded in OCI	(7,645,629)	--	(7,645,629)
Impairment	(32,197,009)	--	(32,197,009)
At December 31, 2016	470,761,626	7,628,342	478,389,968

9. FINANCIAL INVESTMENTS (CONTINUED)

	US$	QAR	Others	Total
	QR.	QR.	QR.	QR.
Investments held at fair value through profit or loss (FVTPL)				
Quoted shares	--	3,668,351	--	3,668,351
Available-for-sale investments (AFS)				
Quoted shares	--	323,286,668	6,150,884	329,437,552
Unquoted shares	88,043,197	11,828,375	4,343,224	104,214,796
Debt securities with fixed interest rate	34,686,737	--	--	34,686,737
	122,729,934	338,783,394	10,494,108	472,007,436

	Qatar	International	Total
	QR.	QR.	
Investments held at fair value through profit or loss (FVTPL)			
Quoted shares	3,668,351	--	3,668,351
Available-for-sale investments (AFS)			
Quoted shares	323,286,668	6,150,884	329,437,552
Unquoted shares	11,828,375	92,386,421	104,214,796
Debt securities with fixed interest rate	26,662,561	8,024,176	34,686,737
	365,445,955	106,561,481	472,007,436

10. INSURANCE AND OTHER RECEIVABLES

	2017	2016
	QR.	QR.
Premiums and insurance receivables	206,210,259	162,019,141
Due from employees	1,499,146	657,746
Advances for purchases	--	7,700,000
Prepayments and others	29,941,138	10,776,247
Deferred acquisition cost	12,616,775	4,206,493
	250,267,318	185,359,627

10. INSURANCE AND OTHER RECEIVABLES (CONTINUED)

The Group's terms of business require amounts to be paid within the underwriting year and as such these receivables are measured at cost. Arrangements with the reinsurance companies normally require settlement on a quarterly basis.

Due from policyholders comprise a large number of customers mainly within Qatar. Due from policyholders is net of provision for impairment of QR 12,000,000 (2016: QR 12,000,000). Insurance and other receivables are stated net of any impairment provision and are short term in nature. The reinsurer's shares of claims not paid by the Group at the end of the reporting period are disclosed in Note 19.

	2017	2016
	QR.	QR.
Policyholders' receivable		
Premiums receivable	**99,471,563**	110,633,552
Provision for doubtful debts	**(10,496,921)**	(10,496,921)
Net policyholders' receivable	**88,974,642**	100,136,631
Insurance and reinsurers' receivable		
Reinsures receivable	**118,738,696**	63,385,589
Provision for doubtful debts	**(1,503,079)**	(1,503,079)
Net insurance and reinsurers' receivable	**117,235,617**	61,882,510
Premiums and insurance receivables	**206,210,259**	162,019,141

Movements in the allowance for impairment of policyholders' receivables were as follows:

	2017	2016
	QR.	QR.
At January 1	**10,496,921**	10,496,921
Charge for the year	--	--
At December 31	**10,496,921**	10,496,921

10. INSURANCE AND OTHER RECEIVABLES (CONTINUED)

Movements in the allowance for insurance and reinsurers' receivable were as follows:

	2017	2016
	QR.	QR.
At January 1,	**1,503,079**	1,503,079
Charge for the year	**--**	--
At December 31	**1,503,079**	1,503,079

The following table provides an age analysis of insurance and other receivables as at December 31:

			Past due but not impaired		
	Total	*Neither past due nor impaired*	*< 3 months*	*7-12 months*	*> 1 year*
	QR.	*QR.*	*QR.*	*QR.*	*QR.*
2017	**206,210,259**	**121,857,220**	**42,985,066**	**32,591,470**	**8,776,503**
2016	162,019,141	137,335,080	18,954,448	5,729,613	--

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

11. INVESTMENTS IN ASSOCIATES

The Group has the following investment in associates:

	Country of incorporation	*Percentage of ownership*		*Principal activity*
		2017	2016	
Yemeni Qatari Insurance Company	Republic of Yemen	**40%**	40%	Insurance
Qatar unified Insurance Bureau W.L.L.	State of Qatar	**25%**	25%	Insurance

Duirng previous year, the Group acquired additional interest of 5 % in Qatar unified Insurance Bureau W.L.L, an associate resulting in the increase in Group equity interest from 20 % to 25%. The Group continues to exercise significant influence over the Qatar unified Insurance Bureau W.L.L.

11. INVESTMENTS IN ASSOCIATES (CONTINUED)

Movements in the investment in associates are as follows:

	2017 QR.	2016 QR.
At January 1,	16,362,429	13,198,424
Acquisition during the year	--	6,750,000
	16,362,429	19,948,424
Equity share in net earnings	4,189,867	6,608,527
Cash dividends received	(388,480)	(8,943,354)
Fair market value reserve	(31,060)	(77,603)
Foreign currency translation difference	(549,197)	(1,173,565)
At December 31,	19,583,559	16,362,429

The summarized financial information of the Group's investments in associates are as follows:

	2017 QR.	2016 QR.
Share in the associates' statement of financial position:		
Total assets	20,406,509	18,068,542
Total liabilities	(7,088,911)	(7,972,074)
Net assets	13,317,598	10,096,468
Additional consideration paid in excess of share in net assets	6,265,961	6,265,961
	19,583,559	16,362,429

	2017 QR.	2016 QR.
Share in the associates' revenue and results		
Revenues	24,703,325	29,933,637
Share of results	4,189,867	6,608,527

The carrying amounts of these investments are as follows:

	2017 QR.	2016 QR.
Yemeni Qatari Insurance Company	7,360,473	7,116,969
Qatar Unified Insurance Bureau W.L.L.	12,223,086	9,245,460
	19,583,559	16,362,429

12. INVESTMENT PROPERTIES

	2017	2016
	QR.	QR.
Cost:		
At January 1	**174,203,270**	174,203,270
Additions	**59,183,687**	--
	233,386,957	174,203,270
Accumulated depreciation:		
At January 1	**(16,714,620)**	(15,338,132)
Provided during the year	**(2,242,034)**	(1,376,487)
	(18,956,654)	(16,714,619)
Net carrying value	**214,430,303**	157,488,651

(i) Investment properties include an amount of QR 56,011,617, which represents the net book value of a property in Germany acquired during the period by a subsidiary, Schwenke Zentrum S.a.r.l. As at the reporting date, Management, using internal review, deemed that the fair value of the property approximates its cost given the short time interval from the purchase date of the property.

(ii) The fair value of the investment properties as at December 31, 2017 amounted to QR 275,084,333 (excluding investment property in Germany) has been arrived at on the basis of a valuation carried out by an independent valuer not related to the Group. The independent valuer is a qualified consultant and has appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The basis used in determining the fair value of investment properties reflects actual market state and circumstances as of the reporting date. The fair value estimate usually reflects, amongst other things, rental income from current leases and reasonable and supportable assumptions that represent the market view of what knowledgeable, willing parties would assume about rental income from future leases in light of current market conditions.

(iii) The Group earned rental income amounting to QR 10,087,006 in 2017 (2016: QR 5,973,614) and this has been reflected in the consolidated statement of income. Direct operating expenses of these investment properties amounting to QR 202,277 (2016: QR 228,261) have been reflected as part of rent, maintenance and office expenses.

13. PROPERTY AND EQUIPMENT

	Freehold land	Buildings	Furniture and fixtures	Computers	Vehicles	Office equipment	Total
	QR.	QR.	QR.	QR.	QR.	QR.	QR.
Cost							
At January 1, 2017	2,350,000	10,963,564	3,332,470	8,127,860	1,916,513	1,956,640	28,647,047
Additions	--	4,775,748	279,530	1,254,588	77,000	157,144	6,544,010
Disposals	--	--	--	(32,781)	(65,000)	--	(97,781)
At December 31, 3017	2,350,000	15,739,312	3,612,000	9,349,667	1,928,513	2,113,784	35,093,276
Accumulated depreciation							
At January 1, 2017	--	9,014,236	2,473,052	6,804,624	678,568	1,017,793	19,988,273
Depreciation for the year	--	463,052	274,586	815,014	344,971	282,778	2,180,401
Disposals	--	--	--	(16,392)	(64,990)	--	(81,382)
At December 31, 3017	--	9,477,288	2,747,638	7,603,246	958,549	1,300,571	22,087,292
Net carrying amounts							
At December 31, 2017	**2,350,000**	**6,262,024**	**864,362**	**1,746,421**	**969,964**	**813,213**	**13,005,984**

13. PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold land	Buildings	Furniture and fixtures	Computers	Vehicles	Office equipment	Total
	QR.	QR.	QR.	QR.	QR.	QR.	QR.
Cost							
At January 1, 2016	2,350,000	10,891,564	3,020,837	7,676,187	2,164,304	1,638,665	27,741,557
Additions	--	72,000	311,633	451,673	523,209	370,975	1,729,490
Disposals	--	--	--	--	(771,000)	(53,000)	(824,000)
At December 31,2016	2,350,000	10,963,564	3,332,470	8,127,860	1,916,513	1,956,640	28,647,047
Accumulated depreciation							
At January 1, 2016	--	8,685,466	2,249,849	5,715,428	1,123,260	794,302	18,568,305
Depreciation for the year	--	328,770	223,203	1,089,196	326,299	246,723	2,214,191
Disposals	--	--	--	--	(770,991)	(23,232)	(794,223)
At December 31,2016	--	9,014,236	2,473,052	6,804,624	678,568	1,017,793	19,988,273
Net carrying amounts							
At December 31, 2016	2,350,000	1,949,328	859,418	1,323,236	1,237,945	938,847	8,658,774

14. SHARE CAPITAL

	2017	2016
	QR	QR
Authorized, issued and fully paid up share capital 50,000,000 shares of QR 10 each	**500,000,000**	500,000,000

15. LEGAL RESERVE

In accordance with Qatar Central Bank regulations, 10% of net profit is required to be transferred to legal reserve until the legal reserve equals 100% of the paid up capital. This reserve is not available for distribution, except in the circumstances specified in the above law and after taking necessary Qatar Central Bank approval.

The Board of Directors resolved to transfer 10% of the net profits for the year amounting to QR 4,215,680 (2016: 20% of the net profits, amounting to QR 14,449,925) to legal reserve.

16. BORROWINGS

Borrowings as at December 31, 2017 amounts to QR 31,940,250 and bears interest at the rate of 2.65% per annum. The loan was primarily taken to purchase an investment property in Germany, by a subsidiary. It is repayable over a period of 21 years starting from May 30, 2017. The non-current portion of the loan as at period end amounted to QR 30,760,754. The loan is secured by a mortgage on investment property amounting to QR 56,876,972 purchased during the year (net book value of QR 56,011,617 as at December 31, 2017).

17. SOCIAL AND SPORTS ACTIVITIES FUND

During the year, the Group made an appropriation from retained earnings of QR 1,053,920 (2016: QR 1,806,241) to the Social and Sports Activities Fund of Qatar. This amount represents 2.5% of the net profit attributable to shareholders for the year ended December 31, 2017. The appropriation for the year ended December 31, 2016 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 February 5, 2018 to propose to the forthcoming General Assembly to approve a cash dividend of 7.5% of the share capital amounting to QR 0.75 per share totaling to QR 37,500,000 for the year ended December 31, 2017 (2016: 6% of the share capital amounting to QR 0.60 per share totaling to QR 30,000,000).

The above is subject to the approval of the shareholders in the forthcoming General Assembly.

19. INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

	2017	2016
	QR.	QR.
Gross		
Insurance contract liabilities:		
Claims reported unsettled	**315,428,268**	207,331,605
Claims incurred but not reported	**56,149,936**	51,582,000
Uneraned premiums	**251,612,681**	202,198,926
Deferred commissions	**9,400,979**	3,835,405
	632,591,864	464,947,936
Recoverable from reinsurers:		
Claims reported unsettled	**220,775,523**	142,756,782
Claims incurred but not reported	**34,189,343**	34,058,604
Unearned premiums	**151,725,135**	122,395,791
Total reinsurance contract assets	**406,690,001**	299,211,177
Net		
Claims reported unsettled	**94,652,745**	64,574,823
Claims incurred but not reported	**21,960,593**	17,523,396
Unearned premiums	**99,887,546**	79,803,135
Deferred commissions	**9,400,979**	3,835,405
	225,901,863	165,736,759

19. INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (CONTINUED)

	2017			2016		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	QR.	QR.	QR.	QR.	QR.	QR.
At January 1						
Claims	207,331,605	(142,756,782)	64,574,823	169,709,386	(106,173,208)	63,536,178
Claims incurred but not reported	51,582,000	(34,058,604)	17,523,396	14,761,288	--	14,761,288
	258,913,605	(176,815,386)	82,098,219	184,470,674	(106,173,208)	78,297,466
Insurance claims paid during the year	(133,096,326)	39,931,441	(93,164,885)	(136,506,608)	61,798,003	(74,708,605)
Incurred during the year	245,760,925	(118,080,921)	127,680,004	210,949,539	(132,440,181)	78,509,358
At December 31	371,578,204	(254,964,866)	116,613,338	258,913,605	(176,815,386)	82,098,219

Analysis of outstanding claims

	2017			2016		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	QR.	QR.	QR.	QR.	QR.	QR.
Claims	315,428,268	(220,775,523)	94,652,745	207,331,605	(142,756,782)	64,574,823
Claims incurred but not reported	56,149,936	(34,189,343)	21,960,593	51,582,000	(34,058,604)	17,523,396
At December 31	371,578,204	(254,964,866)	116,613,338	258,913,605	(176,815,386)	82,098,219

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

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

19. INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (CONTINUED)

Analysis of unearned premium risk

	2017			2016		
	Insurance contract liabilities	Reinsurance of liabilities	Net	Insurance contract liabilities	Reinsurance of liabilities	Net
	QR.	QR.	QR.	QR.	QR.	QR.
At January 1	202,198,927	(122,395,791)	79,803,136	168,277,520	(106,093,979)	62,183,541
Premiums written during the year	543,192,445	(323,586,522)	219,605,923	515,510,293	(340,276,335)	175,233,958
Premiums earned during the year	(493,778,691)	294,257,178	(199,521,513)	(481,588,887)	323,974,523	(157,614,364)
At December 31	251,612,681	(151,725,135)	99,887,546	202,198,926	(122,395,791)	79,803,135

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 2017

	Accident years					
	Before 2013	2014	2015	2016	2017	Total
	QR.	QR.	QR.	QR.	QR.	QR.
Estimate of cumulative claims						
At end of the accident year	462,866,401	179,152,039	93,372,881	126,841,524	225,057,984	--
One year later	457,407,879	177,348,919	92,317,888	126,735,102	--	--
Two years later	456,336,483	177,433,689	91,581,239	--	--	--
Three years later	455,862,330	177,818,498	--	--	--	--
Four years later	461,994,322	--	--	--	--	--
Current estimate of cumulative claims	461,994,322	177,818,498	91,581,239	126,735,102	225,057,984	1,083,187,145
Cumulative payments to date	442,331,586	118,892,995	30,306,529	86,934,485	89,293,282	767,758,877
Total cumulative claims recognised in the statement of financial position as of December 31, 2017	19,662,736	58,925,503	61,274,710	39,800,617	135,764,702	315,428,268

20. PROVISIONS, INSURANCE AND OTHER PAYABLES

	2017	2016
	QR.	QR.
Due to insurance and reinsurance companies	**69,538,430**	49,263,223
Trade payable	**21,780,103**	20,910,284
Dividends payable	**7,542,162**	7,655,702
Staff related accruals	**11,771,075**	10,772,067
Board of Directors' remuneration payable	**2,670,000**	5,000,000
Net surplus attributable to Islamic Takaful policyholders	**5,558,591**	5,193,827
Provision for Social and Sports Activities Fund	**1,053,920**	1,806,241
Accrued expenses	**2,891,731**	5,896,495
	122,806,012	106,497,839

21. EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognized in the consolidated statement of financial position are as follows:

	2017	2016
	QR.	QR.
As at January 1,	**16,021,265**	17,170,457
Provided during the year	**2,622,073**	2,390,944
End of service benefits paid	**(2,599,393)**	(3,540,136)
As at December 31,	**16,043,945**	16,021,265

22. BOARD OF DIRECTORS' REMUNERATION

The Board of Directors proposed an amount of QR 500,000 as remuneration to the board members for the year 2017 (2016: QR 2,000,000). The above mentioned remuneration is included under general and administrative expenses in the consolidated statement of income.

23. SEGMENT INFORMATION

For management purposes, the Group is organized into three business segments, marine and aviation, motor, and fire and general accidents. These segments are the basis on which the Group reports its primary segment information. Other operations of the Group comprise investment and treasury for the Group's own account. There are no transactions between segments. The data with respect to segment information are as follows.

	Motor		Marine and Aviation		Fire and General Accident		Investments and Treasury		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	QR.	QR.	**QR.**	QR.	**QR.**	QR.	**QR.**	QR.		QR.
Gross premiums	**139,461,618**	120,108,703	**121,356,627**	107,296,610	**282,374,200**	288,104,980	--	--	**543,192,445**	515,510,293
Reinsurers' share of gross premiums	**(10,603,633)**	(13,463,873)	**(111,517,199)**	(97,389,055)	**(201,465,690)**	(229,423,407)	--	--	**(323,586,522)**	(340,276,335)
Net premiums written	**128,857,985**	106,644,830	**9,839,428**	9,907,555	**80,908,510**	58,681,573			**219,605,923**	175,233,958
Change in unearned premium reserve	**(7,856,886)**	(6,991,811)	**382,408**	613,922	**(12,609,930)**	(11,241,706)	--	--	**(20,084,408)**	(17,619,595)
Net premiums earned	**121,001,099**	99,653,019	**10,221,836**	10,521,477	**68,298,580**	47,439,867			**199,521,515**	157,614,363
Commissions received on ceded insurance	**2,812,665**	2,195,480	**10,535,882**	4,526,519	**18,662,579**	26,007,047	--	--	**32,011,126**	32,729,046
Total underwriting revenues	**123,813,764**	101,848,499	**20,757,718**	15,047,996	**86,961,159**	73,446,914	--	--	**231,532,641**	190,343,409
Gross claims paid	**(72,157,792)**	(67,462,520)	**(2,027,222)**	(3,534,663)	**(58,911,312)**	(65,509,425)	--	--	**(133,096,326)**	(136,506,608)
Reinsurers' share of claims paid	**1,293,831**	2,437,831	**1,791,139**	2,938,466	**36,846,471**	56,421,706	--	--	**39,931,441**	61,798,003
Change in outstanding claims reserve	**(5,515,425)**	2,134,466	**(563,482)**	133,388	**(28,436,212)**	(6,068,607)	--	--	**(34,515,119)**	(3,800,753)
Commissions paid	**(9,814,876)**	(5,559,936)	**(334,682)**	(538,503)	**(19,262,948)**	(17,487,321)	--	--	**(29,412,506)**	(23,585,760)
Other technical expenses	**(882,126)**	(609,387)	**(503,083)**	(87,280)	**(1,690,291)**	(1,041,326)	--	--	**(3,075,500)**	(1,737,993)
Net underwriting results	**36,737,376**	32,788,953	**19,120,388**	13,959,404	**15,506,867**	39,761,941	--	--	**71,364,631**	86,510,298
Investment and other income							**49,505,184**	62,420,739	**49,505,184**	62,420,739
Total expenses							**(78,348,250)**	(75,911,895)	**(78,348,250)**	(75,911,895)
Net surplus attributable to Takaful branch policyholders									**(364,764)**	(769,517)
Net profit									**42,156,801**	72,249,625

The Group operates in the State of Qatar, UAE, Germany and Jordan. The associate companies operate in the State of Qatar and the Republic of Yemen.

23. SEGMENT INFORMATION (CONTINUED)

	2017			2016		
	Qatar	**International**	**Total**	Qatar	International	Total
	QR.	**QR.**	**QR.**	QR.	QR.	QR.
Assets						
Total assets	**1,693,577,916**	**148,040,404**	**1,841,618,320**	1,639,680,235	21,815,786	1,661,496,021
Liabilities						
Insurance contract liabilities	**(632,591,864)**	**--**	**(632,591,864)**	(464,947,936)	--	(464,947,936)
Net surplus attributable to Islamic Takaful policyholders	**(5,558,591)**	**--**	**(5,558,591)**	(5,193,827)	--	(5,193,827)
Liabilities (other than insurance funds)	**(118,318,441)**	**(45,859,255)**	**(164,177,696)**	(102,836,455)	(14,488,822)	(117,325,277)
Net assets	**937,109,020**	**102,181,149**	**1,039,290,169**	1,066,702,017	7,326,964	1,074,028,981

24. RELATED PARTY TRANSACTIONS

Related party transactions

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

Transactions with related parties

Transactions with related parties included in the consolidated statement of income are as follows:

	2017		2016	
	Premiums	**Claims**	Premiums	Claims
	QR.	**QR.**	QR.	QR.
Major shareholders	**17,713,350**	**5,776,087**	6,014,164	1,276,380

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

	2017		2016	
	Receivables	**Claims and payables**	Receivables	Claims and payables
	QR.	**QR.**	QR.	QR.
Major shareholders	**5,333,679**	**1,321,255**	1,926,575	1,751,294
Associate	--	**799,232**	--	1,687,500
	5,333,679	**2,120,487**	1,926,575	3,438,794

Compensation of key management personnel

The compensation of key management personnel during the year are as follows:

	2017	2016
	QR.	QR.
Board of Directors' renumeration	**500,000**	2,000,000
Other allowances for Board of Directors	**250,000**	900,000
Short-term benefits	**5,560,000**	4,300,000
End of service and other benefits	**8,345,667**	8,335,667
	14,655,667	15,535,667

25. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of financial investments, and receivables arising from insurance contract assets and reinsurance contracts, other receivables and cash and cash equivalents. Financial liabilities consist of insurance contract liabilities, borrowings and other payables.

The fair values of financial instruments are not materially different from their carrying values.

Fair value hierarchy

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

As at year end the Group held the following financial instruments measured at fair value.

	December 31, 2017	**Level 1**	**Level 2**	**Level 3**
	QR.	**QR.**	**QR.**	**QR.**
Assets measured at fair value				
Financial investments	**472,007,436**	**367,792,640**	**63,313,088**	**--**

	December 31, 2016	Level 1	Level 2	Level 3
	QR.	QR.	QR.	QR.
Assets measured at fair value				
Financial investments	478,389,968	385,448,746	56,859,442	--

During the year ended December 31, 2017 and 2016, 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. The above do not include the investments held at cost.

26. RISK MANAGEMENT

The Group, in the normal course of business derives its revenue mainly from underwriting and managing its insurance business and managing its liquid assets in investments. The Group's lines of business are exposed to the following risks:

- Insurance risk
- Reinsurance risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors approves the Group's risk management policies and meets regularly. These policies define the Group's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Regulatory framework

The Qatar Central Bank Executive Insurance Instructions provide the regulatory framework for the insurance industry in Qatar. All insurance companies operating in Qatar are required to follow these rules and regulations.

The following are the key regulations governing the operation of the Group:

- Internal systems and controls;
- Risk management;
- Accounting, auditing and actuarial reporting; and
- Prudential requirement.

The Group's Board of directors is responsible for monitoring compliance with the above regulations and has delegated authorities and responsibilities from the board of directors to ensure compliance.

Insurance risk

The principal risk the Group 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 Group is to ensure that sufficient reserves are available to cover these liabilities.

26. RISK MANAGEMENT (CONTINUED)

Insurance risk (continued)

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, underwriting discipline, prudent claims management practices as well as the use of reinsurance arrangements.

The majority of insurance business ceded is placed on a reinsurance program covering the Group to benefit from high commission income derived from economy of scale in a portfolio which is well balanced and to spread the risk in which the Group is exposed.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance 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 reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

The Group principally issues the following types of general insurance contracts: Marine & Aviation, Fire, Property & Casualty, Motor, and General Accidents. Risks under non-life insurance policies usually cover twelve month duration.

For general insurance contracts the most significant risks arise from climate changes, natural disasters and terrorist activities which are only covered in fire line of business.

Insurance contracts at times also cover risk for single incidents that expose the Group to multiple insurance risks. The Group has adequately reinsured for insurance risk that may involve significant litigation.

These risks vary in relation to the type of risk insured, location of the risk insured and by industry.

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured and by industry.

The below risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Group. The Group 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 Group.

The Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (i.e. fire line of business). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes to a pre-determined maximum amount based on the Group's risk appetite as decided by management. In addition, the Group also have an excess of loss agreements which cover both of the catastrophic and risk excess of loss.

26. RISK MANAGEMENT (CONTINUED)

Insurance risk (continued)

Property and Casualty (Fire & General Accidents)
Property and casualty insurance is designed to compensate contract holders for damage suffered to properties or for the value of property lost. Contract holder 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 Group has only underwritten policies for properties containing fire detection equipment and relevant regulatory certification.

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 operation which leads to business interruptions are the main factors that influence the level of claims. The Group has reinsurance cover for such damage to limit total losses by treaty (including Quota share) amounting to QR 120,000,000 (2016: QR 120,000,000) during the year.

Motor
Motor insurance is designed to compensate contract holders for damage suffered to their vehicles or liability to third parties arising though accidents. Contract holders could 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 Group has mainly underwritten comprehensive policies for owners/drivers over 21 years of age. Substantially all of the motor contracts relate to private individuals. The Group has reinsurance cover to limit losses for any individual claim amounting to QR 30,000,000 (2016: QR 30,000,000) 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.

Marine & Aviation
Marine & Aviation 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. The Group has facultative arrangement to cede significant aviation related risks.

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 the policies are well diversified in terms of vessels and shipping routes covered. The Group has entered into reinsurance agreements to limit total losses by treaty (including quota share) amounting to QR 35,000,000 (2016: QR 35,000,000) during the year.

Reinsurance risk

In common with other insurance companies, in order to minimize the financial exposure arising from large claims, the Group 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.

26. RISK MANAGEMENT (CONTINUED)

Reinsurance risk

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

Reinsurance ceded contracts do not relieve the Group from its obligation to policyholders and as a result, the Group remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

26. RISK MANAGEMENT (CONTINUED)

Concentration of risks

The Group's insurance risk relates to policies directly written in the State of Qatar Only. The segmental concentration of insurance contract liabilities is shown below:

	2017			2016		
Concentration of insurance contract liabilities by type of contract:	**Gross liabililities**	**Reinsurers' share of liabilities**	**Net liabilities**	Gross liabililities	Reinsurers' share of liabilities	Net liabilities
	QR.	**QR.**	**QR.**	QR.	QR.	QR.
Marine and Aviation	**57,680,912**	**52,520,741**	**5,160,171**	49,193,581	43,922,950	5,270,631
Motor	**134,635,668**	**12,634,649**	**122,001,019**	123,888,523	9,465,058	114,423,465
Fire and General Accidents	**440,275,284**	**341,534,611**	**98,740,673**	291,865,832	245,823,169	46,041,663
Total	**632,591,864**	**406,690,001**	**225,901,863**	464,947,936	299,211,177	165,736,759

Key assumptions

The principal assumption underlying the estimates is the Group's 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 once-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 estimates.

Other key assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities

The general insurance claims provision is sensitive to the above key assumptions. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. The Group 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 Group to multiple insurance risks. The Group has adequately reinsured for insurance risks that may involve significant litigation. Considering the level of reinsurance, a 5% change in the average claims ratio will have no material impact on the consolidated statement of income.

26. RISK MANAGEMENT (CONTINUED)

Financial risk

The Group's principal instruments are financial investments, receivables arising from insurance and reinsurance contracts and cash and cash equivalents. The Group does not enter into derivative transactions.

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

The Board reviews and agrees policies for managing each of these risks which are summarized as follows.

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 Group does not hedge its foreign currency exposure.

Other than balances in United States Dollars, United Arab Emirate Dinar (AED) and Euro (EUR), 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 Group is exposed to interest rate risk on its certain bank deposits. The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and interest bearing investments are denominated.

The following table demonstrates the sensitivity of the consolidated statement of income to reasonably possible changes in interest rates, with all other variables held constant. There is no impact on the Group's equity.

	Increase/ decrease in basis basis points	Effect on profit / loss for the year
		QR
2017	**+25**	**920,168**
	-50	**(1,840,336)**
2016	+25	1,170,621
	-50	(2,341,241)

26. RISK MANAGEMENT (CONTINUED)

Financial risk (continued)

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

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

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the statement of financial position date. Premium receivables comprise a large number of customers mainly within the State of Qatar. Five companies account for 48% of the accounts receivable as of December 31, 2017 (2016: 47%). Five reinsurance companies account for 70% of the reinsurance receivables as of December 31, 2017 (2016: 54%).

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

The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outstide the range of AAA to BBB are classified as speculative grade.

26. RISK MANAGEMENT (CONTINUED)

Financial risk (continued)

Credit risk

	AAA	AA	BBB	BB	Unrated	2017
	QR.	QR.	QR.	QR.	QR.	QR.
December 31, 2017						
Bank balances	--	325,232,486	1,247,606	115,146,721	23,691,218	465,318,031
Reinsurance contract assets	114,381,563	68,628,938	49,565,344	174,114,156	--	406,690,001
Policyholders' accounts receivable	781,276	32,505,322	--	1,319,325	64,865,640	99,471,563
Insurance and reinsurers' accounts receivable	45,517,348	37,117,816	901,355	9,623,726	25,578,451	118,738,696
						1,090,218,291

	AAA	AA	BBB	BB	Unrated	2016
	QR.	QR.	QR.	QR.	QR.	QR.
December 31, 2016						
Bank balances	50,466,076	279,363,873	169,063,238	2,569,321	14,384,171	515,846,679
Reinsurance contract assets	92,803,401	84,848,823	53,050,514	34,469,835	--	265,152,573
Policyholders' accounts receivable	33,190,066	32,083,730	16,595,032	13,276,026	15,488,098	110,633,552
Insurance and reinsurers' accounts receivable	22,184,956	19,015,677	8,873,982	11,409,406	1,901,568	63,385,589
						955,018,393

26. RISK MANAGEMENT (CONTINUED)

Financial risk (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet obligation as they fall due. The Group's approach to manage liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's operations.

The Group limits its liquidity risk by ensuring bank facilities are available. The Group's terms of sales require amounts to be paid within 30-120 days of the date of sale.

The table below summarises the maturities of the Group's undiscounted financial liabilities at year end based on contractual payment dates and current market interest rates.

2017	**Less than 6 months**	**6 to 12 months**	**1 to 5 years**	**More than 5 years**	**No term**	**Total**
	QR.	**QR.**	**QR.**		**QR.**	**QR.**
Insurance contract liabilities	**261,013,660**	--	--	--	**371,578,204**	**632,591,864**
Borrowings	**585,847**	**1,195,211**	**6,474,514**	**23,684,678**	--	**31,940,250**
Provisions, insurance and other payables	**122,806,012**	--	--	--	--	**122,806,012**
Total	**384,405,519**	**1,195,211**	**6,474,514**	**23,684,678**	**371,578,204**	**787,338,126**

2016	Less than 6 months	6 to 12 months	1 to 5 years	More than 5 years	No term	Total
	QR.	QR.	QR.		QR.	QR.
Insurance contract liabilities	206,034,331	--	--	--	258,913,605	464,947,936
Provisions, insurance and other payables	106,497,839	--	--	--	--	106,497,839
Total	312,532,170	--	--	--	258,913,605	571,445,775

26. RISK MANAGEMENT (CONTINUED)

Financial risk (continued)

Equity price risks

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 these 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 Group is exposed to other market price risk in respect of its listed equity securities and bonds. Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity and the value of individual stocks. The effect on equity due to a reasonably possible change in equity indices by (+/-) 10%, with all other variables held constant is as follows:

		2017		2016	
	Changes in variables	**Impact on profit**	**Impact on other comprehensive income**	Impact on profit	Impact on other comprehensive income
		QR.	**QR.**	QR.	QR.
Available-for-sale investments	+10%	**366,835**	**32,943,755**	762,834	47,838,997
Available-for-sale investments	-10%	**(366,835)**	**(32,943,755)**	(762,834)	(47,838,997)

26. RISK MANAGEMENT (CONTINUED)

Capital management

The Group has established the following capital management objectives, policies and approach to managing the risks that affect its capital position.

The capital management objectives are:

- To maintain the required level of financial stability of the Group thereby providing a degree of security to policyholders
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets
- To align the profile of assets and liabilities taking account of risks inherent in the business
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and shareholders
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.
- To allocate capital towards the regional expansion where the ultimate goal is to spread the risk and maximize the shareholders returns through obtaining the best return on capital.

The operations of the Group 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.

In reporting financial strength, capital and solvency is measured using the rules prescribed by the Qatar Central Bank Executive Insurance Instructions. These regulatory capital tests are based upon required levels of solvency capital and a series of prudent assumptions in respect of the type of business written.

Capital management policies
The Group's capital management policy for its insurance and non-insurance business is to hold sufficient capital to cover the statutory requirements based on the Qatar Central Bank, including any additional amounts required by the regulator as well as keeping a capital buffer above the minimum regulatory requirements, where the Group operates to maintain a high economic capital for the unforeseen risks.

Capital management approach
The Group seeks to optimize the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and secure the policyholders fund.

The Group's approach to managing capital involves managing assets, liabilities and risks in a co-ordinated way, assessing shortfalls between reported and required capital levels (by each regulated entity) on a regular basis and taking appropriate actions to influence the capital position of the Group in the light of changes in economic conditions. An important aspect of the Group's overall capital management process is the setting of target risk adjusted rates of return which are aligned to performance objectives and ensure that the Group is focused on the creation of value for shareholders. The process is ultimately subject to approval by the board.

27. COMMITMENTS AND CONTINGENCIES

Guarantees

At December 31, 2017, the Group 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 6,731,462 (2016: QR 5,043,605)

Legal claims

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

28. OTHER INFORMATION: ISLAMIC TAKAFUL BRANCH OF THE COMPANY

The Statement of Financial position and Statement of income of the Islamik Takaful Branch of the Company (the "Branch") are presented below:

(i) Statement of financial position for the year

	2017	2016
	QR.	QR.
PARTICIPANTS' ASSETS		
Cash on hand	**8,563**	9,200
Bank balances (Islamic banks)	**39,233,280**	40,292,865
Reinsurance contract assets	**4,904,663**	7,716,652
Due from policyholders	**11,265,285**	17,461,271
Due from insurance and reinsurance companies	**5,250,374**	4,309,442
Prepayments and other assets	**20,416**	18,876
Property and equipment	**111,710**	179,213
TOTAL ASSETS	**60,794,291**	69,987,519
PARTICIPANTS' FUNDS AND LIABILITIES		
Participants' fund		
Participants' account	**10,558,591**	10,193,827
Liabilities		
Insurance contract liabilities	**42,885,728**	41,070,490
Provisions, insurance and other payables	**7,349,972**	18,723,202
Total liabilities	**50,235,700**	59,793,692
TOTAL PARTICIPANTS' FUND AND LIABILITIES	**60,794,291**	69,987,519

28. ISLAMIC TAKAFUL BRANCH OF DOHA INSURANCE GROUP Q.P.S.C.

(ii) Statement of income for the year

	2017	2016
	QR.	QR.
PARTICIPANTS' REVENUE AND EXPENSES		
REVENUE		
Net takaful revenue	**157,960**	573,839
Other income	**939,345**	902,259
	1,097,305	1,476,098
EXPENSES		
General and administrative expenses	**(732,541)**	(706,581)
NET SURPLUS FOR THE YEAR TRANSFERRED TO PARTICIPANTS' FUND	**364,764**	769,517