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

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2018

DOHA INSURANCE GROUP Q.P.S.C.

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended December 31, 2018

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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, 2018, and the consolidated statements of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of 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, 2018, 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, 2018. 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 20 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 areas. 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.
- Evaluating and testing claim handling and case reserve processes.
- Checking samples of claims case reserves through comparing the estimated amount of the case reserve to appropriate documentation such as reports from loss adjustments etc.</td></tr>
<tr><td colspan="2">First-time adoption of IFRS 9: Financial Instruments</td></tr>
<tr><td>The Group adopted IFRS 9: Financial Instruments effective from 1 January 2018, which resulted in changes in accounting policies and adjustments to amounts previously recognised in the consolidated financial statements. As permitted by transitional provisions of IFRS 9, the Group elected not to restate the comparative figures.

The impact of IFRS 9 includes changes in the approach and requirements in respect of classification, measurement and impairment, which requires changes in the policies, processes, systems and controls. These changes are considered complex and significant.

Because of the above and the significant judgements involved in the application of IFRS 9, this area is considered a key audit matter.

Transitional impact of IFRS 9 has been disclosed in note 2.1 to the consolidated financial statements.</td><td>We obtained an understanding of the Group's adoption of IFRS 9 and identified the internal controls including entity level controls adopted by the Group for the accounting, processes and systems under the new accounting standard.

In addition, our work performed includes the following procedures:
- Obtained an understanding of and checked the group business model assessment and the test of the contractual cash flows performed by the management specialists;
- Reviewed the classification analysis performed by the Group regarding the classification of financial instruments into different categories;
- Checked the appropriateness of key technical decisions, judgments and accounting policy elections made by the Group to ensure compliance with IFRS 9 impairment requirements.
- Checked the appropriateness and testing the mathematical accuracy of the ECL model applied.
- Assessed the adequacy of the Group's disclosures in relation to first time application of IFRS 9.</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

For **Deloitte & Touche**
Qatar Branch

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

SUBJECT TO QATAR CENTRAL BANK APPROVAL

DOHA INSURANCE GROUP Q.P.S.C.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2018

	Notes	2018	2017
		QR.	QR.
ASSETS			
Cash and bank balances	8	**438,304,524**	465,633,719
Financial investments	9	**512,992,437**	472,007,436
Reinsurance contract assets	20	**509,465,888**	406,690,001
Insurance and other receivables	10	**269,464,373**	250,267,318
Investments in associates	11	**16,069,469**	19,583,559
Investment properties	12	**269,973,893**	214,430,303
Property and equipment	13	**20,428,524**	13,005,984
Total assets		**2,036,699,108**	1,841,618,320
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**500,000,000**	500,000,000
Legal reserve	15	**365,270,841**	359,244,913
Fair value reserve	16	**(65,860,607)**	(459,983)
Foreign currency translation reserve		**(1,236,479)**	738,314
Retained earnings		**265,919,490**	178,713,005
Total equity		**1,064,093,245**	1,038,236,249
Liabilities			
Insurance contract liabilities	20	**773,226,066**	632,591,864
Borrowings	17	**56,017,196**	31,940,250
Provisions, insurance and other payables	21	**128,001,703**	122,806,012
Employees' end of service benefits	22	**15,360,898**	16,043,945
Total liabilities		**972,605,863**	803,382,071
Total equity and liabilities		**2,036,699,108**	1,841,618,320

Nawaf Bin Nasser Bin Khaled Al Thani
Chariman

Jassim Ali A. Al-Moftah
Chief Executive Officer

DOHA INSURANCE GROUP Q.P.S.C.
CONSOLIDATED STATEMENT OF INCOME
For the year ended December 31, 2018

	Notes	2018 QR.	2017 QR.
Gross premiums		**623,927,920**	543,192,445
Reinsurers' share of gross premiums		**(367,621,787)**	(323,586,522)
Net premiums written		**256,306,133**	219,605,923
Change in unearned premium reserve		**(11,979,848)**	(20,084,408)
Net premiums earned		**244,326,285**	199,521,515
Commission income		**26,373,093**	32,011,126
Total underwriting revenues		**270,699,378**	231,532,641
Gross claims paid		**(184,794,271)**	(133,096,326)
Reinsurers' share of claims paid		**52,608,255**	39,931,441
Change in outstanding claims reserve		**(25,262,762)**	(34,515,119)
Commission expenses		**(39,703,432)**	(29,412,506)
Other technical expenses		**(4,382,020)**	(3,075,500)
NET UNDERWRITING RESULTS	24	**69,165,148**	71,364,631
Investment income	5.1	**47,167,154**	56,800,938
Investment losses	5.2	**(118,232)**	(11,490,384)
Share of results of associates	11	**(217,863)**	4,189,867
Net impairment loss on investment securities		**(14,755)**	--
Net impairment loss on financial assets		**(49,627)**	--
Gain on sale of investment property and other income		**33,491,373**	4,763
INVESTMENT AND OTHER INCOME		**80,258,050**	49,505,184
General and administrative expenses	6	**(81,148,226)**	(73,441,068)
Finance cost		**(942,016)**	(484,747)
Depreciation of investment properties	12	**(3,008,885)**	(2,242,034)
Depreciation of property and equipment	13	**(2,405,879)**	(2,180,401)
TOTAL EXPENSES		**(87,505,006)**	(78,348,250)
PROFIT FOR THE YEAR BEFORE ALLOCATION TO DOHA TAKAFUL L.L.C.'s POLICYHOLDERS		**61,918,193**	42,521,565
Net surplus attributable to Doha Takaful L.L.C.'s policyholders	30	**(1,658,913)**	(364,764)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT		**60,259,279**	42,156,801
Basic and diluted earnings per share	7	**1.21**	0.84

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

	Notes	2018	2017
		QR.	QR.
Profit attributable to shareholders of the parent		**60,259,279**	42,156,801
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Fair value reserve recycled upon sale of available-for-sale investments		--	(14,004,475)
Transfer to consolidated statement of income on impairment of available-for-sale financial investments	9	--	7,838,588
Net movement in fair value of available-for-sale financial investments	9	--	(42,692,756)
Net change in fair value of debt instruments at fair value through other comprehensive income		**(1,247,313)**	-
Share of other comprehensive income of associates	11	**--**	(31,060)
Exchange differences on translating foreign operations		**(1,974,793)**	1,994,090
Items that will not be reclassified to profit or loss in subsequent periods			
Net change in fair value of equity instruments designated at fair value through other comprehensive income		**8,120,665**	--
Other comprehensive income / (loss) for the year		**4,898,559**	(46,895,613)
Total comprehensive income / (loss) for the year		**65,157,838**	(4,738,812)

DOHA INSURANCE GROUP Q.P.S.C.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

	Share capital	Legal reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	Total
	QR.	QR.	QR.	QR.	QR.	QR.
Balance at 1 January 2018	500,000,000	359,244,913	(459,983)	738,314	178,713,005	1,038,236,249
Adjustment on initial application of IFRS 9 at January 1, 2018 (note 2 c and 16)	--	--	(66,765,943)	--	66,471,582	(294,361)
Balance at 1 January 2018 (restated)	500,000,000	359,244,913	(67,225,926)	738,314	245,184,587	1,037,941,888
Profit attributable to shareholders	--	--	--	--	60,259,279	60,259,279
Other comprehensive income for the year	--	--	6,873,352	(1,974,793)	--	4,898,559
Total comprehensive profit for the year	--	--	6,873,352	(1,974,793)	60,259,279	65,157,838
Transfer to legal reserve (Note 15)	--	6,025,928	--	--	(6,025,928)	--
Social and sports activities fund (Note 18)	--	--	--	--	(1,506,481)	(1,506,481)
Gain on sale of investments	--	--	(5,508,033)	--	5,508,033	--
Dividends paid	--	--	--	--	(37,500,000)	(37,500,000)
Balance at December 31, 2018	**500,000,000**	**365,270,841**	**(65,860,607)**	**(1,236,479)**	**265,919,490**	**1,064,093,245**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

	Share capital	Legal reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	Total
	QR.	QR.	QR.	QR.	QR.	QR.
Balance at 1 January 2017	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

DOHA INSURANCE GROUP Q.P.S.C.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2018

	Notes	2018 QR.	2017 QR.
OPERATING ACTIVITIES			
Profit attributable to shareholders		**60,259,279**	42,156,801
Adjustments for:			
Impairment of financial investments		--	7,838,588
Reinsurers' share of unearned premium		**10,699,324**	29,329,344
Net impairment loss on financial investments and cash in bank		**64,382**	--
Net change in fair value of investments at FVTPL		**118,232**	--
Provision for employees' end of service benefits		**2,511,735**	2,622,073
Depreciation of property and equipment	13	**2,405,879**	2,180,401
Depreciation of investment properties	12	**3,008,885**	2,242,034
Unrealised loss on investments held at fair value through profit or loss		--	1,972,799
Gain on disposal of property and equipment		--	(5,000)
Gain on disposal of investment property	12	**(33,491,373)**	--
Share in results of associates		**217,863**	(4,189,867)
Interest income		**(14,213,070)**	(14,619,937)
Dividend income		**(20,230,586)**	(18,089,520)
Net movement in unearned premium		**(10,699,323)**	(49,413,755)
Interest expense		**942,016**	484,747
Net loss (gain) on sale of financial investments		**(407,687)**	14,004,475
Operating profit before changes in operating assets and liabilities		**1,185,556**	16,513,183
Increase in insurance and other receivables		**(19,197,055)**	(64,907,691)
Decrease in insurance reserves		**37,858,315**	80,249,514
Increase in provisions, insurance and other payables		**4,752,937**	17,060,493
Cash generated from (used in) operations		**24,599,753**	48,915,499
Employees' end of service benefits paid		**(3,194,782)**	(2,599,393)
Net cash flows generated from operating activities		**21,404,971**	46,316,106
INVESTING ACTIVITIES			
Purchase of financial investments		**(75,757,878)**	(118,753,386)
Proceeds from disposal of financial investments		**41,713,924**	52,461,415
Dividend received		**20,230,586**	18,089,520
Interest received		**14,213,070**	14,619,937
Deposits made		**(121,497,973)**	(220,163,095)
Purchase of investment properties, net		**(65,218,696)**	(57,564,010)
Purchase of property and equipment		**(9,828,420)**	(6,544,010)
Dividends received from associates		**3,332,238**	388,480
Proceeds from disposal of property and equipment		**38,000,000**	21,399
Net cash flows used in investing activities		**(154,813,149)**	(317,443,750)

	2018	2017
	QR.	QR.
FINANCING ACTIVITIES		
Payment of contribution to Social and Sports Activities Fund	**(1,053,920)**	(1,806,241)
Finance cost	**(942,016)**	(484,747)
Borrowings withdrawn	**24,076,946**	33,633,024
Borrowings repaid	--	(769,163)
Dividends paid	**(37,500,000)**	(30,000,000)
Net cash flows (used in) / from financing activities	**(15,418,990)**	572,873
DECREASE IN CASH AND CASH EQUIVALENTS	**(148,827,168)**	(270,554,771)
Cash and cash equivalents at January 1	**245,470,624**	516,025,395
CASH AND CASH EQUIVALENTS AT DECEMBER 31 (Note 8)	**96,643,456**	245,470,624

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".

The consolidated financial statements of the Group consolidates the assets, liabilities and operational performance of the Company and its subsidiaries (collectively referred as "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.
iv. In 2006, the Company established an Islamic Takaful branch under the brand name Doha Takaful to carry out insurance and reinsurance activities in accordance with Islamic Sharia principles on a non-usury basis in all areas of insurance. On March 28, 2018, the Company has registered Doha Takaful into a separate limited liability company as Doha Takaful L.L.C., which is 100% owned by the Company. The Company also prepares a separate set of financial statements of Doha Takaful L.L.C. as per the requirement of FAS - 12 General Presentation and Disclosure in the Financial Statements of Islamic Insurance Companies issued by the AAOIFI. The Doha Takaful L.L.C.s financial statements are then converted into International Financial Reporting Standards (IFRSs) compliant financial statements and included in these financial statements.
v. On August 10, 2018, the Company invested 100% in the equity of Logistics Centre S.a.r.k, 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.
vi. On March 4, 2018, a representative office in Beirut-Lebanon under the name of "Mena Re Life " was established which aims to extend the Group's reinsurance reach in the International arena. It is part of the DIG's strategy of geographic expansion to open new markets and build on its strong credit and financial rating. It is worth mentioning that the Group has completed all the formal procedures of establishing the office in accordance with the laws of the Lebanese Republic.

These consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on February 13, 2019.

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

2.1 New standards, amendments and interpretations effective from January 1, 2018

The following standards, amendments and interpretations, which became effective as of 1 January 2018, are relevant to the Group:

IFRS 9 Financial Instruments	1-Jan-18
IFRS 15 Revenue from Contracts with Customers	1-Jan-18
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1-Jan-18
Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice	1-Jan-18
Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1-Jan-18

The adoption of the above did not result in any changes to previously reported net profit or equity of the Group, except as mentioned below.

IFRS 9 Financial Instruments

The Group has applied IFRS 9 for the first time which is effective for periods beginning on or after January 1, 2018. The nature and effect of the changes as a result of adopting the new accounting standard are described below.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The Group has initially applied IFRS 9 from 1 January 2018. Due to the transition options chosen by the Group in applying this standard, comparative information throughout these consolidated financial statements has not been restated to reflect the requirements of the new standards.

As a result of adopting IFRS 9, the Group has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income (OCI). Additionally, the Group has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but have not been generally applied to comparative information.

The Group applied IFRS 9 prospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39, Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings and other components of equity.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and on its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

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

2.1 New standards, amendments and interpretations effective from 1 January 2018 (continued)

IFRS 9 Financial Instruments (continued)

a) Classification and measurement of financial assets and financial liabilities (continued)

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognised in the consolidated income statement, under IFRS 9 fair value changes are generally presented as follows:

- The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and

The remaining amount of change in the fair value is presented in the consolidated income statement.

The Group performed a detailed analysis of its business models for managing financial assets as well as analysing their cash flow characteristics. The following table is reconciliation of original measurement categories and carrying value in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2018:

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount	New carrying amount
				QAR	QAR
Financial assets					
Cash and bank balances		Loans and receivables	Amortised cost	465,633,719	465,583,898
Investment securities – debt	(i)	Available for sale	FVOCI	34,686,737	34,442,197
Investment securities - Mutual funds	(ii)	Available for sale	FVTPL (Mandatory)	--	33,632,687
Investment securities - Mutual funds		Available-for-sale	FVOCI	104,214,796	70,582,109
Investment securities – equity		Available-for-sale	FVOCI	329,437,552	329,437,552
Investment securities – equity		FVTPL	FVTPL	3,668,351	3,668,351
				937,641,155	937,346,794

Financial Liabilities

The Group has not designated any financial liabilities at fair value through profit or loss. There were no changes to the classification and measurement of the Group's financial liabilities.

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

2.1 New standards, amendments and interpretations effective from 1 January 2018 (continued)

IFRS 9 Financial Instruments (continued)

i. The corporate debt securities categorised as available-for-sale under IAS 39 are held by the Group's for the purpose of providing interest income, but may be sold to meet liquidity requirements arising in the normal course of business. The Group therefore considers that these securities are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling securities. The contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets have therefore been classified as financial assets at FVOCI under IFRS 9. On transition to IFRS 9, an allowance for impairment of QAR 244,540 was recognised as a decrease in opening retaining earnings and an increase in fair value reserves at 1 January 2018.

ii. The Group carried out an SPPI test on its mutual funds and determined that its stake in mutual funds does not represent a repayment of principal or profit and hence do not pass the SPPI test. The investment funds also do not meet the definition of equity, hence investment in funds has been designated at fair value through profit or loss as mandated by IFRS 9.

b) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt instruments at FVOCI, but not equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

The Group adopted a three-stage approach to measuring expected credit losses (ECL) on financial assets carried at amortised cost and debt instruments classified as FVOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL - not credit impaired
Stage 1 includes financial assets on initial recognition and that do not have a significant increase in credit risk since the initial recognition or that have low credit risk. For these assets, ECL are recognised on the gross carrying amount of the asset based on the expected credit losses that result from default events that are possible within 12 months after the reporting date. Interest is computed on the gross carrying amount of the asset

Stage 2: Lifetime ECL - not credit impaired
Stage 2 includes financial assets that have had a significant increase in credit risk (SICR) since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but interest is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

Stage 3: Lifetime ECL – credit impaired
Stage 3 includes financial assets that have objective evidence of impairment at the reporting date For these assets, lifetime ECL is recognised and treated with the interests calculated on them. When transitioning financial assets from stage 2 to stage 3, the percentage of provision made for such assets should not be less than the percentage of provision made before transition.

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

2.1 New standards, amendments and interpretations effective from 1 January 2018 (continued)

IFRS 9 Financial Instruments (continued)

The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 resulted in an additional allowance for impairment as follows:

c) Exposures and related ECL movements:

	Stage 1 QAR	Stage 2 QAR	Stage 3 QAR	Total QAR
Opening balance of assets as at January 1, 2018 (under IAS 39)				
Cash and bank balances	465,633,719	--	--	465,633,719
Investment securities - debt	34,686,737	--	--	34,686,737
	500,320,456	--	--	**500,320,456**
ECL impact of initial application of IFRS 9 at January 1, 2018				
Cash and bank balances	49,821	--	--	49,821
Investment securities - debt	244,540	--	--	244,540
	294,361	--	--	**294,361**
Charge and net transfer between stages for the period				
Cash and bank balances	49,627	--	--	49,627
Investment securities - debt	14,755	--	--	14,755
	64,382	--	--	**64,382**
Closing balance of impairment - as at December 31, 2018				
Cash and bank balances	99,448			99,448
Investment securities - debt	259,295			259,295
	358,743			**358,743**

The impact of adopting IFRS 9 as at 1 January 2018 is as follows:

	Retained earnings QAR	Fair value reserve QAR
Closing balance under IAS 39 as at December 31, 2017	178,713,005	(459,983)
Impact on reclassification and remeasurements:		
Reversal of impairment earlier recognised on available-for-sale now reclassified as FVOCI.	66,052,894	(66,052,894)
Recognition of unrealised losses or gains on investment securities (Mutual funds) when reclassified from available-for-sale to FVTPL	713,049	(713,049)
	66,765,943	(66,765,943)
Impact on recognition of Expected Credit Losses		
Expected credit losses under IFRS 9 for debt instruments carried at FVOCI	(294,361)	--
Opening balance under IFRS 9 on date of initial application of January 1, 2018	**245,184,587**	**(67,225,926)**

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

2.2 Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

IFRS 16 'Leases' with effect from January 1, 2019

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard- i.e. lessors continue to classify leases as finance or operating leases.
IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

The Group has assessed the estimated impact that initial application of IFRS 16 will have on its (consolidated) financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because:

- the Group has not finalised the testing and assessment of controls over its new IT systems; and
- the new accounting policies are subject to change until the Group presents its first (consolidated) financial statements that include the date of initial application.

Leases in which the Group is a lessee

The Group will recognise new assets and liabilities for its operating leases. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Group will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Group will include the payments due under the lease in its lease liability.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

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

2.2 Standards issued but not yet effective (continued)

IFRS 17 Insurance contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts IFRS 17 is effective for reporting periods beginning on or after 1 January 2022, with comparative figures required.

The Company has no plans to early adopt IFRS 17 prior to its mandatory application date.

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRSs 2015-2017 *Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs*	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to IAS 19 *Employee Benefits Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures.	1 January 2019
Amendments to References to the Conceptual Framework in IFRS Standards - amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32	1 January 2020
Amendment to IFRS 3 Business Combinations relating to definition of a business	1 January 2020
Amendments to IAS 1 and IAS 8 relating to definition of material	1 January 2020
IFRS 17 Insurance Contracts	1 January 2022
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures	Effective date deferred indefinitely. Adoption is still permitted.

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, 2018. 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.

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.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation (continued)

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.

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).

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

Premiums ceded to reinsurers

Reinsurance premiums comprise the total premiums payable for the reinsurance cover provided by contracts entered into during the period and are recognized on the date on which the policy incepts. Reinsurance premiums also include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date.

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.

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.

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

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 obligations 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

Interest income

Interest income is recognised in the consolidated income statement as it accrues and is calculated by using the effective interest rate method, except for short-term receivables when the effect of discounting is immaterial.

Dividend income

Dividend income is recognised when the right to receive the dividends is established or when received.

Rental income

Rental income from investment properties is recognised in the consolidated statement of income on a straight line basis over the term of operating lease and the advances and unearned portion of the rental income is recognised as a liability.

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 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that 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. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or a joint venture at the date 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 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 a reclassification adjustment) when the associate is disposed of.

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.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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 during 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.

Foreign operations

The individual financial statements of the Group entities are presented in the currency of the primary economic environment in which they operate (functional currency). For the purpose of these consolidated financial statements, the results and financial position of each subsidiary are expressed in the functional currency of the Parent Company.

The assets and liabilities of foreign operations are translated to Qatari Riyal using exchange rates prevailing at the reporting date. Income and expenses are also translated to Qatari Riyal at the exchange rates prevailing at the reporting date, which do not significantly vary from the average exchange rates for the year. The exchange differences arising on the translation for consolidation are recognised in OCI.

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

Foreign operations (continued)

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences are recognized in other comprehensive income.

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. Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

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.

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 recorded in the income statement. Ceeded reinsurance arrangements do not relieve the Group from its obligations to policyholders

Reinsurance and other payables

Reinsurance and other payables are recognized when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequently, reinsurance and other payables are measured at amortised cost, as deemed appropriate.

Financial assets policy applicable from 1 January 2018

Financial instruments - initial recognition and subsequent measurement

i. Initial recognition and measurement

Trade receivables and debt securities are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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

Financial assets- policy applicable from 1 January 2018 (continued)

ii. Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt security; FVOCI – equity security; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt security is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity security that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on a security-by-security basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, realising cash flows through the sale of the assets and holding it for liquidity purposes;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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

Financial assets policy applicable from 1 January 2018 (continued)

ii. Classification and subsequent measurement (continued)

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features; prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses arising from changes in fair value including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains, losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt securities at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity securities at FVOCI	These assets are subsequently measured at fair value. Gains and losses are recognised in OCI and are never reclassified to profit or loss. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

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

Financial assets policy applicable up to December 31, 2017

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:

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 foreseeable future or until maturity. 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.

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

Financial assets policy applicable up to 31 December 2017 (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

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

From 1 January 2018 any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

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.

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

Impairment of financial assets

Impairment policy applicable from 1 January 2018

The Group recognises loss allowances for expected credit losses (ECLs) on::

- financial assets measured at amortised cost;
- debt securities measured at FVOCI; and

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition

Loss allowances for financial instruments at amortised cost are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:
- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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

Impairment of financial assets (continued)

Impairment policy applicable from 1 January 2018 (continued)

Measurement of ECL

The Group calculates ECLs based on scenarios to measure the expected cash shortfalls, discounted at an appropriate effective interest rate ("EIR"). Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group utilises the general approach to calculate ECL against its due from banks and for its investment in debt securities which is depedent on the rating of the Bond as determined by an External credit rating agency and the simplified approach to calculate ECL against its other financial assets carried at amortised cost and which is dependent on the Group's historical default rates related these assets.

The key elements used to calculate ECL are as follows:

- The Probability of Default ("PD") which is an estimate of the likelihood of default over a given time horizon. The PDs used for due from banks and investment in debt instruments are derived from a market assessment and is reliant on the type of exposure (i.e. corporate, bank, sovereign) and the rating of the counterparty. For other assets carried at amortised cost, this is calculated based on the Group's historical rate of default. PDs are estimated with consideration of economic scenarios and forward-looking information.

- The Exposure at Default ("EAD") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and accrued interest from missed payments.

- The Loss Given Default ("LGD") is an estimate of the loss arising in the asset where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that are expected to be recovered from the counterparty taking into account the potential recovery from the realisation of any collateral. LDG is usually expressed as percentage of the EAD.

ECLs are discounted at the effective interest rate of the financial asset.

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

Impairment of financial assets (continued)

Impairment policy applicable from 1 January 2018 (continued)

Measurement of ECL (continued)

The Group allocates its assets subject to ELC calculations into one of these categories, determined as follows:

12 Month ECL	The 12 month ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an appropriate EIR.
Life time ECL	When an instrument has shown a significant increase in credit risk since origination, the Group records an allowance for the Life time ECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected losses are discounted by an appropriate EIR.
Impairment	For financial instruments considered credit-impaired, the Group recognizes the lifetime expected credit losses for these instruments. The method is similar to that for LTECL assets, with the PD set at 100%.

Forward looking information

In its ECL models, the Group relies on the following forward looking information as economic inputs:

- GDP Growth rates
- Oil Price Index

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

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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

Impairment of financial assets (continued)

Impairment policy applicable from 1 January 2018 (continued)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to profit or loss. The accumulated gain recognised in OCI is recycled to the profit or loss upon derecognition of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Impairment policy applicable up to December 31, 2017

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.

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

Impairment policy applicable up to December 31, 2017 (continued)

Impairment of financial assets (continued)

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.

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 within the scope of IAS 39

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.

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.

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

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less in the consolidated statement of financial position. The cash equivalents are readily convertible to cash.

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.

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.

Contribution to social and sports fund

Pursuant to the Qatar Law No. 13 of 2008 and the related clarifications issued in 2012, which is applicable to all Qatari listed shareholding companies with publicly traded shares, the Group has made an appropriation of 2.5% of its adjusted net profit to a state social fund.

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

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.

Dividend distribution

Dividend distribution to the Parent Company's shareholders is recognised as a liability in the Parent Company's consolidated financial statements in the period in which the dividends are approved by the Parent Company's shareholders.

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.

Segment reporting

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

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

Applicable from January 1, 2018.

Accounting policies of financial assets, initial recognition and measurement for classification of investments as per IFRS 9 (refer note 3 (ii).

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

Applicable up to December 31, 2017.

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.

Impairment of financial investments

Applicable from 1 January 2018

The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgement, in particular for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios and the relevant inputs used.

The Group exercises its judgement in assessing whether there has been a significant increase in credit risk in relation to a specific counterparty based on qualitative factors.

The Group also exercises its judgement in determining the relevant scenarios, the related weight of each scenario and the relevant macro-economic factors while calculating the ECL.

Applicable upto 31 December 2017

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.

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

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 policyholders' 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.

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

	2018 QR.	2017 QR.
Net gain on sale of financial investments	**407,687**	14,004,475
Dividend income	**20,230,586**	18,089,520
Interest income	**14,213,070**	14,619,937
Rental income from investment properties	**12,315,811**	10,087,006
	47,167,154	56,800,938

5.2. Investment loss

	2018 QR.	2017 QR.
Net loss on sale of investments held at fair value through profit or loss	**(118,232)**	(3,651,796)
Impairment of financial investments	**--**	(7,838,588)
	(118,232)	(11,490,384)

6. GENERAL AND ADMINISTRATIVE EXPENSES

	2018 QR.	2017 QR.
Salaries and other staff costs	**61,013,797**	57,417,324
Rent, maintenance and office expenses	**4,059,011**	4,833,588
Legal and consultation fees	**3,481,443**	1,988,903
Advertisement and business promotion	**1,652,864**	1,479,525
Business travel	**1,274,203**	967,293
Board of Directors' remuneration (Note 24)	**900,000**	500,000
Communication	**738,222**	789,007
Training expenses	**621,050**	862,494
Government fees	**678,917**	840,670
Contributions	**174,084**	348,193
Printing and stationery	**300,969**	371,401
Other allowances for the Board of Directors (Note 24)	**500,000**	250,000
Miscellaneous expenses	**5,753,666**	2,792,670
	81,148,226	73,441,068

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.

	2018	2017
Profit for the year attributable to the shareholders (QR.)	**60,259,279**	42,156,801
Weighted average number of shares outstanding during the year	**50,000,000**	50,000,000
Basic and diluted earnings per share (QR.)	**1.21**	0.84

There are no dilutive potential ordinary shares for the years ended 2018 and 2017.

The Company has on its agenda for the forthcoming general assembly, a proposed resolution for a 10:1 share split, which is subject to the approval of the shareholders. The impact of the split will be accounted for as and when the split is approved and affected.

8. CASH AND CASH EQUIVALENTS

	2018	2017
	QR.	QR.
Bank balances and short term deposits	**438,165,003**	465,318,031
Cash on hand	**238,969**	315,688
Allowance for impairment	**(99,448)**	--
Cash and bank balances	**438,304,524**	465,633,719
Less: Short term deposits maturing more than 3 months	**341,661,068**	220,163,095
Cash and cash equivalents	**96,643,456**	245,470,624

Short-term deposits consist of fixed deposits amounting to QR 343,721,612 (2017: QR 365,352,678) bearing interest at the rate of 1.00% to 8.46% per annum (2017: 1.00% to 3.75% per annum).

9. FINANCIAL INVESTMENTS

	2018	2017
	QR.	QR.
Equity investments held at fair value through profit or loss (FVTPL)		
Quoted shares	--	3,668,351
Available-for-sale investments (AFS)		
Quoted shares	--	329,437,552
Unquoted shares	--	104,214,796
Debt securities with fixed interest rate	--	34,686,737
		468,339,085
Investments measured at FVTPL		
Quoted shares	**4,308,000**	--
Mutual funds	**67,890,636**	--
	72,198,636	--
Investments measured at FVOCI		
Quoted shares	**328,982,690**	--
Unquoted equities	**70,149,691**	--
Debt securities with fixed interest rate	**41,920,715**	--
Allowance for Impairment (ECL)	**(259,295)**	--
	440,793,801	--
Total	**512,992,437**	472,007,436

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

At January 1, 2018, the Group designated certain investments as equity securities at FVOCI because these equity securities represent investments that the Group intends to hold for the long-term for strategic purposes. In 2017, these investments were classified as available-for-sale.

Income from equity securities include dividends from investment designated at fair value through other comprehensive income amounting to QR 20,230,586 for the year ended December 31, 2018.

In 2017, the investments available for sale include unquoted equity securities with a value of QR 30,901,708, 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. In 2017, Management has performed a review of its unquoted investments to assess whether impairment has occurred in the value of these investments.

9. FINANCIAL INVESTMENTS (CONTINUED)

Allowance for impairment against debt investments:

			December 31, 2018	
	Stage 1: 12-month ECL	**Stage 2: Lifetime ECL not credit-impaired**	**Stage 3: Lifetime ECL credit-impaired**	**Total ECL**
	QR	**QR**	**QR**	**QR**
Balance at the beginning of the year – on adoption of IFRS 9	244,540	--	--	244,540
Changes due to financial assets recognised in opening balance that have:				
Transfer to 12 month ECL				
Transfer to lifetime ECL not credit-impaired	14,755	--	--	14,755
Transfer to lifetime ECL credit- impaired	--	--	--	--
Net remeasurement of loss allowance	--	--	--	--
Recoveries during the year	--	--	--	--
Foreign currency translation	--	--	--	--
Balance at the end of the year	**259,295**	--	--	**259,295**

The movement in the financial investments is shown below:

	FVOCI	**FVTPL**	**Total**
	QR.	**QR.**	**QR.**
At January 1, 2018	**434,706,398**	**37,301,038**	**472,007,436**
Purchases	**27,078,503**	**48,679,375**	**75,757,878**
Disposals	**(22,097,123)**	**(13,374,090)**	**(35,471,213)**
Realised fair value gains / losses	**(5,508,034)**	**(407,687)**	**(5,915,721)**
Fair value movements recorded in OCI	**6,873,352**	--	**6,873,352**
Impairment	**(259,295)**	--	**(259,295)**
At December 31, 2018	**440,793,801**	**72,198,636**	**512,992,437**

	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

9. FINANCIAL INVESTMENTS (CONTINUED)

December 31, 2018	**US$**	**QAR**	**Others**	**Total**
	QR.	**QR.**	**QR.**	**QR.**
Fair value through profit or loss (FVTPL)				
Quoted shares	--	**4,308,000**	--	**4,308,000**
Mutual funds	**45,740,664**	**21,362,360**	**787612**	**67,890,636**
Fair value through other comprehensive income (FVOCI)				
Quoted shares	--	**324,866,176**	**4,116,514**	**328,982,690**
Unquoted shares	**50,339,028**		**19,810,663**	**70,149,691**
Debt securities	**41,661,420**	--	--	**41,661,420**
	137,741,112	**350,536,536**	**24,714,789**	**512,992,437**

December 31, 2017	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

10. INSURANCE AND OTHER RECEIVABLES

	2018	2017
	QR.	QR.
Premiums and insurance receivables	**226,699,814**	206,210,259
Due from employees	**1,410,710**	1,499,146
Prepayments and others	**26,779,512**	29,941,138
Deferred acquisition cost	**14,574,337**	12,616,775
	269,464,373	250,267,318

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.

10. INSURANCE AND OTHER RECEIVABLES (CONTINUED)

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 (2017: 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 20.

	2018	2017
	QR.	QR.
Policyholders' receivable		
Premiums receivable	**108,742,305**	99,471,563
Provision for doubtful debts	**(10,496,921)**	(10,496,921)
Net policyholders' receivable	**98,245,384**	88,974,642
Insurance and reinsurers' receivable		
Reinsures receivable	**129,957,509**	118,738,696
Provision for doubtful debts	**(1,503,079)**	(1,503,079)
Net insurance and reinsurers' receivable	**128,454,430**	117,235,617
Premiums and insurance receivables	**226,699,814**	206,210,259

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

	2018	2017
	QR.	QR.
At January 1	**10,496,921**	10,496,921
Charge for the year	**--**	--
At December 31	**10,496,921**	10,496,921

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

	2018	2017
	QR.	QR.
At January 1,	**1,503,079**	1,503,079
Charge for the year	**--**	--
At December 31	**1,503,079**	1,503,079

10. INSURANCE AND OTHER RECEIVABLES (CONTINUED)

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.*
2018	**226,699,814**	**113,376,115**	**44,932,762**	**52,653,227**	**15,737,710**
2017	206,210,259	121,857,220	42,985,066	32,591,470	8,776,503

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*
		2018	2017	
Yemeni Qatari Insurance Company	Republic of Yemen	**40%**	40%	Insurance
Qatar unified Insurance Bureau W.L.L.	State of Qatar	**25%**	25%	Insurance

Movements in the investment in associates are as follows:

	2018	2017
	QR.	QR.
At January 1,	**19,583,559**	16,362,429
Acquisition during the year	**--**	--
	19,583,559	16,362,429
Equity share in net earnings	**(217,863)**	4,189,867
Cash dividends received	**(3,332,238)**	(388,480)
Fair market value reserve	**(31,060)**	(31,060)
Foreign currency translation difference	**67,071**	(549,197)
At December 31,	**16,069,469**	19,583,559

11. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	2018	2017
	QR.	QR.
Share in the associates' statement of financial position:		
Total assets	**15,113,355**	20,406,509
Total liabilities	**(5,309,847)**	(7,088,911)
Net assets	**9,803,508**	13,317,598
Additional consideration paid in excess of share in net assets	**6,265,961**	6,265,961
	16,069,469	19,583,559

	2018	2017
	QR.	QR.
Share in the associates' revenue and results		
Revenues	**1,663,849**	24,703,325
Share of results	**(217,863)**	4,189,867

The carrying amounts of these investments are as follows:

	2018	2017
	QR.	QR.
Yemeni Qatari Insurance Company	**7,552,746**	7,360,473
Qatar Unified Insurance Bureau W.L.L.	**8,516,723**	12,223,086
	16,069,469	19,583,559

12. INVESTMENT PROPERTIES

	2018	2017
	QR.	QR.
Cost:		
At January 1	**233,386,957**	174,203,270
Additions	**65,218,696**	59,183,687
Disposal	**(12,715,335)**	--
Translation reserve	**(2,539,175)**	--
	283,351,143	233,386,957
Accumulated depreciation:		
At January 1	**(18,956,654)**	(16,714,620)
Provided during the year	**(3,008,885)**	(2,242,034)
Disposal	**8,547,469**	--
Translation reserve	**40,820**	--
	(13,377,250)	(18,956,654)
Net carrying value	**269,973,893**	214,430,303

12. INVESTMENT PROPERTIES (CONTINUED)

(i) Investment properties include an amount of QR 52,162,562, which represents the net book value as of December 31, 2018 of a property in Germany acquired in 2017 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) In 2018, the Group purchased additional property in Germany by a new subsidiary, Logistic Centre S.a.r.l. with the net book value of QR 46,930,233 as of December 31, 2018. As at the reporting date, the fair value of the property approximates its costs considering the time interval of the purchase date of the property.

(iii) In addition to the investment properties mentioned in (i) and (ii) above, the Group has investment properties in the State of Qatar with carrying value of QR 170,881,098 as of December 31, 2018. The fair value of the investment properties as at December 31, 2018 amounted to QR 220,752,901 and has been arrived at on the basis of a valuation carried out by an independent valuer not related to the Group between 2017 and 2018. 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.

(iv) The Group earned rental income amounting to QR 12,315,811 in 2018 (2016: QR 10,087,006) and this has been reflected in the consolidated statement of income. Direct operating expenses of these investment properties amounting to QR 656,498 (2017: QR 202,277) have been reflected as part of rent, maintenance and office expenses.

(v) In 2018, a property in Al Sadd, State of Qatar, with the carrying amount of QR 4,167,866, was sold in cash with the total amount of QR 38,000,000. The gain of QR 33,491,373 (net of commission of QR 340,761) is recorded as part of the other income in the statement of income.

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, 2018	2,350,000	15,739,312	3,612,000	9,349,667	1,928,513	2,113,784	35,093,276
Additions	--	7,769,784	922,947	873,977	12,486	249,226	9,828,420
Disposals	--	--	--	--	--	--	--
At December 31, 2018	2,350,000	23,509,096	4,534,946	10,223,644	1,940,999	2,363,010	44,921,696
Accumulated depreciation							
At January 1, 2018	--	9,477,288	2,747,638	7,603,246	958,549	1,300,571	22,087,292
Depreciation for the year		766,896	473,772	444,854	357,210	363,147	2,405,879
Disposals	--	--	--	--	--	--	--
At December 31, 2018		10,244,184	3,221,410	8,048,100	1,315,759	1,663,718	24,493,171
Net carrying amounts							
At December 31, 2018	**2,350,000**	**13,264,912**	**1,313,536**	**2,175,544**	**625,240**	**699,292**	**20,428,524**

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, 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

14. SHARE CAPITAL

	2018	2017
	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 6,025,928 (2017 10% of the net profits, amounting to QR 4,215,680) to legal reserve.

16. FAIR VALUE RESERVE

This reserve comprises the fair value changes recognised on financial assets.

	2018
	QR.
Balance at beginning of the year	(459,983)
Changes due to adoption of IFRS 9:	
Transfer related to FVTPL	(713,049)
Transfer related to impairment recorded for AFS investments	(66,052,894)
Restated balance as at 1 January	(67,225,926)
Change in fair value on revaluation of debt investments measured at FVOCI (IFRS 9)	(1,247,313)
Change in fair value on revaluation of equity investments measured at FVOCI (IFRS 9)	20,000,855
Change in fair value on revaluation of fund investments measured at FVOCI (IFRS 9)	(11,880,190)
Net gain on sale of equity instruments transferred to retained earnings for investment measured at FVOCI (IFRS 9)	(5,508,033)
Balance at the end of the year	**(65,860,607)**

17. BORROWINGS

The total borrowings as at December 31, 2018 amounts to QR 56,017,196 with the following details:

(i) In 2017, a loan (carrying amount of QR 29, 363,341 as of December 31, 2018) was taken to purchase an investment property in Germany, by a subsidiary, Schwenke Zentrum S.a.r.l. which bears interest of 2.65%. 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 28,207,225. The loan is secured by a mortgage on investment property amounting to QR 56,876,972 purchased in 2017 (net book value of QR 52,162,562 and QR 56,011,617 in 2018 and 2017, respectively).

(ii) Additional loan in 2018 (carrying amount of QR 26,653,854 as of December 31, 2018) was taken also to purchase an investment property in Germany, by a new subsidiary, Logistic Centre S.a.r.l with the rate of 1.73% annually payable in monthly installments until July 31, 2028. The non current portion of the loan is QR 25,010,210. The loan is secured by a mortgage on investment property amounting to QR 47,254,232 purchased in 2018 (net book value of QR 46,930,233).

18. SOCIAL AND SPORTS ACTIVITIES FUND

During the year, the Group made an appropriation from retained earnings of QR 1,506,481 (2017: QR 1,053,920) 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, 2018. The appropriation for the year ended December 31, 2017 has been remitted to the Public Revenues and Taxes Department during the year.

19. PROPOSED CASH DIVIDENDS

The Board of Directors held a meeting on February 13, 2019 and approved a cash dividend of 8% of the share capital amounting to QR 0.8 per share totalling to QR 40,000,000 for the year ended December 31, 2018 (2017: 7.5% amounting to QR 0.75 per share with a total of QR 37.5 million).

20. INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

	2018	2017
	QR.	QR.
Gross		
Insurance contract liabilities:		
Claims reported unsettled	**428,407,189**	315,428,268
Claims incurred but not reported	**60,510,340**	56,149,936
Unearned premiums	**274,291,854**	251,612,681
Deferred commissions	**10,016,683**	9,400,979
	773,226,066	632,591,864
Recoverable from reinsurers:		
Claims reported unsettled	**308,491,684**	220,775,523
Claims incurred but not reported	**38,549,747**	34,189,343
Unearned premiums	**162,424,457**	151,725,135
Total reinsurance contract assets	**509,465,888**	406,690,001
Net		
Claims reported unsettled	**119,915,505**	94,652,745
Claims incurred but not reported	**21,960,593**	21,960,593
Unearned premiums	**111,867,396**	99,887,546
Deferred commissions	**10,016,683**	9,400,979
	263,760,177	225,901,863

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

	2018			2017		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	QR.	QR.	QR.	QR.	QR.	QR.
At January 1						
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
	371,578,204	**(254,964,866)**	**116,613,338**	258,913,605	(176,815,386)	82,098,219
Insurance claims paid during the year	**(184,794,271)**	**52,608,255**	**(132,186,195)**	(133,096,326)	39,931,441	(93,164,885)
Incurred during the year	**302,133,596**	**(144,684,820)**	**157,448,776**	245,760,925	(118,080,921)	127,680,004
At December 31	**488,917,529**	**(347,041,431)**	**141,876,098**	371,578,204	(254,964,866)	116,613,338

Analysis of outstanding claims

	2018			2017		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	QR.	QR.	QR.	QR.	QR.	QR.
Claims	**428,407,189**	**(308,491,684)**	**119,915,505**	315,428,268	(220,775,523)	94,652,745
Claims incurred but not reported	**60,510,340**	**(38,549,747)**	**21,960,593**	56,149,936	(34,189,343)	21,960,593
At December 31	**488,917,529**	**(347,041,431)**	**141,876,098**	371,578,204	(254,964,866)	116,613,338

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 10).

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

Analysis of unearned premium risk

	2018			2017		
	Insurance contract liabilities	Reinsurance of liabilities	Net	Insurance contract liabilities	Reinsurance of liabilities	Net
	QR.	QR.	QR.	QR.	QR.	QR.
At January 1	251,612,681	(151,725,135)	99,887,546	202,198,927	(122,395,791)	79,803,136
Premiums written during the year	623,927,920	(367,621,787)	256,306,133	543,192,445	(323,586,522)	219,605,923
Premiums earned during the year	(601,248,747)	356,922,465	(244,326,283)	(493,778,691)	294,257,178	(199,521,513)
At December 31	274,291,854	(162,424,457)	111,867,396	251,612,681	(151,725,135)	99,887,546

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 2018

	Accident years					
	Before 2014	2015	2016	2017	2018	Total
	QR.	QR.	QR.	QR.	QR.	QR.
Estimate of cumulative claims						
At end of the accident year	262,903,730	91,950,707	63,106,794	100,744,807	210,766,165	--
One year later	20,870,058	42,134,669	34,978,068	123,001,966	--	--
Two years later	47,467,251	61,534,878	64,781,967	--	--	--
Three years later	77,786,151	64,639,889	--	--	--	--
Four years later	71,611,420	--	--	--	--	--
Current estimate of cumulative claims	71,611,420	64,639,889	64,781,967	123,001,966	210,766,165	534,801,407
Cumulative payments to date	6,974,329	8,084,157	9,559,504	38,763,925	43,012,304	106,394,219
Total cumulative claims recognised in the statement of financial position as of December 31, 2018	64,637,091	56,555,732	55,222,463	84,238,041	167,753,862	428,407,189

21. PROVISIONS, INSURANCE AND OTHER PAYABLES

	2018	2017
	QR.	QR.
Due to insurance and reinsurance companies	**65,833,001**	69,538,430
Trade payable	**24,509,688**	21,780,103
Dividends payable	**8,470,000**	7,542,162
Staff related accruals	**11,872,652**	11,771,075
Board of Directors' remuneration payable	**1,400,000**	2,670,000
Net surplus attributable to Islamic Takaful policyholders	**7,217,504**	5,558,591
Provision for Social and Sports Activities Fund	**1,506,482**	1,053,920
Accrued expenses	**7,192,376**	2,891,731
	128,001,703	122,806,012

22. EMPLOYEES' END OF SERVICE BENEFITS

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

	2018	2017
	QR.	QR.
As at January 1,	**16,043,945**	16,021,265
Provided during the year	**2,511,735**	2,622,073
End of service benefits paid	**(3,194,782)**	(2,599,393)
As at December 31,	**15,360,898**	16,043,945

23. BOARD OF DIRECTORS' REMUNERATION

The Board of Directors proposed an amount of QR 730,000 as remuneration to the board members for the year 2018 (2017: QR 500,000). The above mentioned remuneration is included under general and administrative expenses in the consolidated statement of income and is subject to the approval of the shareholders.

24. 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, General Accident, Group life and health		Corporate, Investments and Treasury		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	QR.	QR.	**QR.**	QR.	**QR.**	QR.	**QR.**	QR.		QR.
Gross premiums	**135,329,314**	139,461,618	**145,738,807**	121,356,627	**342,859,799**	282,374,200	--	--	**623,927,920**	543,192,445
Reinsurers' share of gross premiums	**(7,944,339)**	(10,603,633)	**(131,379,492)**	(111,517,199)	**(228,297,956)**	(201,465,690)	--	--	**(367,621,787)**	(323,586,522)
Net premiums written	**127,384,975**	128,857,985	**14,359,315**	9,839,428	**114,561,843**	80,908,510			**256,306,133**	219,605,923
Change in unearned premium reserve	**(1,232,352)**	(7,856,886)	**(744,115)**	382,408	**(10,003,381)**	(12,609,930)	--	--	**(11,979,848)**	(20,084,408)
Net premiums earned	**126,152,623**	121,001,099	**13,615,200**	10,221,836	**104,558,462**	68,298,580			**244,326,285**	199,521,515
Commissions received on ceded insurance	**1,792,411**	2,812,665	**3,811,194**	10,535,882	**20,769,488**	18,662,579	--	--	**26,373,093**	32,011,126
Total underwriting revenues	**127,945,034**	123,813,764	**17,426,394**	20,757,718	**125,327,950**	86,961,159	--	--	**270,699,378**	231,532,641
Gross claims paid	**(85,447,771)**	(72,157,792)	**(5,569,414)**	(2,027,222)	**(93,777,086)**	(58,911,312)	--	--	**(184,794,271)**	(133,096,326)
Reinsurers' share of claims paid	**3,172,388**	1,293,831	**4,346,515**	1,791,139	**45,089,352**	36,846,471	--	--	**52,608,255**	39,931,441
Change in outstanding claims reserve	**6,738,158**	(5,515,425)	**905,261**	(563,482)	**(30,587,144)**	(28,436,212)	--	--	**(22,943,725)**	(34,515,119)
Commissions paid	**(11,326,370)**	(9,814,876)	**(1,408,675)**	(334,682)	**(26,968,387)**	(19,262,948)	--	--	**(39,703,432)**	(29,412,506)
Other technical expenses	**(1,023,811)**	(882,126)	**(537,657)**	(503,083)	**(2,820,552)**	(1,690,291)	--	--	**(4,382,020)**	(3,075,500)
ULAE reserve movement	--	--	--	--	--	--			**(2,319,037)**	--
Net underwriting results	**40,057,628**	36,737,376	**15,162,424**	19,120,388	**16,264,133**	15,506,867	--	--	**69,165,148**	71,364,631
Investment and other income							**80,258,050**	49,505,184	**80,258,050**	49,505,184
Total expenses							**(87,505,006)**	(78,348,250)	**(87,505,006)**	(78,348,250)
Net surplus attributable to Takaful branch policyholders									**(1,658,913)**	(364,764)
Net profit									**60,259,279**	42,156,801

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.

24. SEGMENT INFORMATION (CONTINUED)

	2018			2017		
	Qatar	**International**	**Total**	Qatar	International	Total
	QR.	**QR.**	**QR.**	QR.	QR.	QR.
Assets						
Total assets	**1,887,751,961**	**148,947,147**	**2,036,699,108**	1,693,577,916	148,040,404	1,841,618,320
Liabilities						
Insurance contract liabilities	**(756,927,293)**	**(16,298,774)**	**(773,226,067)**	(632,591,864)	--	(632,591,864)
Net surplus attributable to Islamic Takaful policyholders	**(7,217,503)**	**--**	**(7,217,503)**	(5,558,591)	--	(5,558,591)
Liabilities (other than insurance funds)	**(130,017,757)**	**(62,144,538)**	**(192,162,294)**	(118,318,441)	(45,859,255)	(164,177,696)
Net assets	**993,589,408**	**70,503,835**	**1,064,093,245**	937,109,020	102,181,149	1,039,290,169

The Group chief operating decision makers do not allocate the Group assets and liabilities to business segments, nor they allocate profit and loss items geographically.

25. 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:

	2018		2017	
	Premiums	**Claims**	Premiums	Claims
	QR.	**QR.**	QR.	QR.
Major shareholders	**20,166,608**	**535,581**	17,713,350	5,776,087

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

	2018		2017	
	Receivables	**Claims and payables**	Receivables	Claims and payables
	QR.	**QR.**	QR.	QR.
Major shareholders	**5,545,864**	**1,414,272**	5,333,679	1,321,255
Associate	**--**	**--**	--	799,232
	5,545,864	**1,414,272**	5,333,679	2,120,487

Compensation of key management personnel

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

	2018	2017
	QR.	QR.
Board of Directors' remuneration	**730,000**	500,000
Other allowances for Board of Directors	**670,000**	250,000
Short-term benefits of key management personnel	**7,260,000**	5,560,000
End of service and other benefits	**785,166**	8,345,667
	9,445,166	14,655,667

26. 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, 2018	Level 1	Level 2	Level 3
	QR.	QR.	QR.	QR.
Assets measured at fair value				
Financial investments	**512,992,437**	**374,952,160**	**138,040,327**	**--**

	December 31, 2017	Level 1	Level 2	Level 3
	QR.	QR.	QR.	QR.
Assets measured at fair value				
Financial investments	472,007,436	326,890,932	104,214,796	--

During the year ended December 31, 2018 and 2017, 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.

27. 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.

27. 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.

27. 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.

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.

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.

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.

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.

27. 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:

Concentration of insurance contract liabilities by type of contract:	2018			2017		
	Gross liabilities	**Reinsurers' share of liabilities**	**Net liabilities**	Gross liabilities	Reinsurers' share of liabilities	Net liabilities
	QR.	**QR.**	**QR.**	QR.	QR.	QR.
Marine and Aviation	**64,655,388**	**(59,385,905)**	**5,269,483**	57,680,912	(52,520,741)	5,160,171
Motor	**127,004,696**	**(5,861,538)**	**121,143,158**	134,635,668	(12,634,649)	122,001,019
Fire and General Accidents	**571,197,688**	**(436,169,185)**	**135,028,503**	440,275,284	(341,534,611)	98,740,673
ULAE	**10,368,294**	**(8,049,260)**	**2,319,034**	--	--	--
Total	**773,226,066**	**(509,465,888)**	**263,760,178**	632,591,864	(406,690,001)	225,901,863

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.

27. 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
2018	**+25**	**1,059,819**
	-50	**(2,119,638)**
2017	+25	920,168
	-50	(1,840,336)

27. 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 36% of the accounts receivable as of December 31, 2018 (2017: 48%). Five reinsurance companies account for 45% of the reinsurance receivables as of December 31, 2018 (2017: 70%).

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.

27. RISK MANAGEMENT (CONTINUED)

Financial risk (continued)

Credit risk

December 31, 2018	AAA QR.	AA QR.	BBB QR.	BB QR.	Unrated QR.	2018 QR.
Bank balances	--	335,504,717	1,092,509	89,600,349	12,106,950	438,304,524
Debt securities	--	23,639,082	7,583,441	10,698,192	--	41,920,715
Reinsurance contract assets	--	509,465,888	--	--	--	509,465,888
Policyholders' accounts receivable	--	49,622,414	30,861	--	59,089,030	108,742,305
Insurance and reinsurers' accounts receivable	26,742	79,781,423	19,724,543	2,060,974	28,363,827	129,957,509
						1,228,390,941

December 31, 2017	AAA QR.	AA QR.	BBB QR.	BB QR.	Unrated QR.	2017 QR.
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

27. RISK MANAGEMENT (CONTINUED)

Financial risk (continued)

Credit risk (continued)

Cash and cash equivalents

The Group held cash and cash equivalents of QR 438,304,524 at December 31, 2018 (2017: 465,633,719). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated *AAA to Baa2*, based on Moody'sratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The Group uses a similar approach for assessment of ECLs for cash and cash equivalents to that used for debt securities.

On initial application of IFRS 9, the Group recognised an impairment allowance as at January 1, 2018 in the amount of QR 49,821.

27. 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.

2018	**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	**284,308,538**	--	--	--	**488,917,528**	**773,266,066**
Borrowings	**1,348,993**	**1,159,818**	**10,170,915**	**43,337,470**	--	**56,017,196**
Provisions, insurance and other payables	**128,001,703**	--	--	--	--	**128,001,703**
Total	**413,659,234**	**1,159,818**	**10,170,915**	**43,337,470**	**488,917,528**	**957,284,965**

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	122,806,012	--	--	--	--	122,806,012

27. 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:

		2018		2017	
	Changes in variables	**Impact on profit**	**Impact on other comprehensive income**	Impact on profit	Impact on other comprehensive income
		QR.	**QR.**	QR.	QR.
Fair value through profit and loss	+10%	**430,800**	--	--	--
Fair value through other comprehensive income	+10%	--	**32,898,269**	--	--
Available-for-sale investment	+10%	--	--	366,835	32,943,755
Fair value through profit and loss	+10%	**(430,800)**	--	--	--
Fair value through other comprehensive income	+10%	--	**(32,898,269)**	--	--
Available-for-sale investment	+10%	--	--	(366,835)	(32,943,755)

27. 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.

28. FINANCIAL ASSETS AND LIABILITIES

Accounting classifications and fair values

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

	FVTPL	*Mandatorily measured as at FVTPL*	*FVOCI – debt instruments*	*FVOCI – equity instruments*	*Amortised cost*	*Total carrying amount*	*Fair value*
	QR	QR	QR	QR	QR	QR	QR
December 31, 2018							
Cash and bank balances	--	--	--	--	438,304,524	438,304,524	--
Financial investments	67,890,636	4,308,000	41,661,420	399,132,381	-	512,992,436	512,992,436
Reinsurance contract assets	--	--	--	--	509,465,888	509,465,888	--
Insurance and other receivables	--	--	--	--	269,464,373	269,464,373	--
	67,890,636	**4,308,000**	**41,661,420**	**399,132,381**	**1,217,234,785**	**1,730,227,221**	**512,992,436**
Insurance contract liabilities	--	--	--	--	773,226,066	773,226,066	--
Borrowings	--	--	--	--	56,017,196	56,017,196	--
	--	--	--	--	**829,243,262**	**829,243,262**	--

28. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Accounting classifications and fair values- Policy applicable upto December 31, 2017
The table below sets out the carrying amounts and fair values of the Group's financial assets and financial liabilities:

	Fair value through profit or loss QAR	*Held to maturity* QAR	*Loans and receivables* QAR	*Available-for-sale* QAR	*Other amortised cost* QAR	*Total carrying amount* QAR	*Fair value* QAR
December 31, 2017							
Cash and bank balances	--	--	465,633,719	--	--	465,633,719	--
Financial investments	3,668,351	--	--	468,339,085	--	472,007,436	472,007,436
Reinsurance contract assets	--	--	406,690,001	--	--	406,690,001	--
Insurance and other receivables	--	--	250,267,318	--	--	250,267,318	--
	3,668,351	--	1,187,908,473	468,339,085		1,594,598,474	--
Insurance contract liabilities	--	--	--	--	632,591,864	632,591,864	--
Borrowings	--	--	--	--	31,940,250	31,940,250	--
	--	--	--	--	664,532,114	664,532,114	--

29. COMMITMENTS AND CONTINGENCIES

Guarantees

At December 31, 2018, 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 6,477,670 (2017: QR 6,731,462)

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.

30. OTHER INFORMATION: DOHA TAKAFUL L.L.C. (A ISLAMIC TAKAFUL)

The Statement of Financial position and Statement of income of the Doha Takaful L.L.C. are presented below:

(i) Statement of financial position for the year

	2018 **QR.**	2017 QR.
PARTICIPANTS' ASSETS		
Cash on hand	**8,906**	8,563
Bank balances (Islamic banks)	**39,274,859**	39,233,280
Reinsurance contract assets	**6,417,086**	4,904,663
Due from policyholders	--	11,265,285
Due from insurance and reinsurance companies	**14,937,461**	5,250,374
Prepayments and other assets	**333,338**	20,416
Property and equipment	--	111,710
TOTAL PARTICIPANT'S ASSETS	**60,971,650**	60,794,291
SHAREHOLDER'S ASSETS		
Bank balances	**75,675,709**	--
Fixed asset, net	**228,245**	--
Other Assets	**1,230,351**	--
TOTAL SHAREHOLDER'S ASSETS	**77,134,305**	--
TOTAL ASSETS	**138,105,955**	60,794,291
PARTICIPANTS' FUNDS AND LIABILITIES		
Participants' fund		
Participants' account	**7,217,503**	5,558,591
Liabilities		
Insurance contract liabilities	**44,078,324**	42,885,728
Provisions, insurance and other payables	**9,614,626**	7,349,972
Total participants liabilities	**53,692,950**	50,235,700

30. OTHER INFORMATION: DOHA TAKAFUL L.L.C. (A ISLAMIC TAKAFUL) (CONTINUED)

(i) Statement of financial position for the year (continued)

	2018 QR.	2017 QR.
Shareholder's equity		
Capital	**70,000,00**	5,000,000
Retained Earnings	**6,350,433**	--
Total participants liabilities	**76,350,433**	5000,000
Shareholders' Liabilities		
Accrued Expenses	**845,069**	--
Total Shareholder's' Liabilities	**845,069**	--
TOTAL PARTICIPANTS' FUND AND LIABILITIES AND SHAREHOLDER'S EQUITY	**138,105,955**	60,794,291

(ii) Statement of income for the year

	2018 QR.	2017 QR.
PARTICIPANTS' REVENUE AND EXPENSES		
REVENUE		
Net takaful revenue	**1,454,820**	157,960
Other income	**1,096,976**	939,345
	2,551,796	1,097,305
EXPENSES		
General and administrative expenses	**(892,883)**	(732,541)
NET SURPLUS FOR THE YEAR TRANSFERRED TO PARTICIPANTS' FUND	**1,658,913**	364,764

	2018 QR.	2017 QR.
SHAREHOLDERS' REVENUE AND EXPENSES		
REVENUE		
Wakala fees	**10,927,508**	--
Mudarabah Fees	**767,884**	--
Murabaha	**1,345,375**	--
	13,040,766	--
EXPENSES		
General and administrative expenses	**6,690,333**	--
NET INCOME TO SHAREHOLDERS	**6,350,433**	--