

**DAMAAN ISLAMIC INSURANCE COMPANY Q.S.C.
"BEEMA"**

**FINANCIAL STATEMENTS
FOR THE PERIOD FROM OCTOBER 14, 2009
(DATE OF INCEPTION) TO DECEMBER 31, 2010
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

DAMAAN ISLAMIC INSURANCE COMPANY Q.S.C. "BEEMA"

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the period from October 14, 2009 (date of inception) to December 31, 2010

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INDEPENDENT AUDITOR'S REPORT

To The Shareholders

**Damaan Islamic Insurance Company Q.S.C. "BEEMA"
Doha – Qatar**

Report on the financial statements

We have audited the accompanying financial statements of Damaan Islamic Insurance Company Q.S.C. "BEEMA" (the "Company"), which comprise the statement of financial position as at December 31, 2010, and the related statements of income of policyholders, comprehensive income of shareholders, changes in shareholders' equity and cash flows for the period from October 14, 2009 (date of inception) to December 31, 2010, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Damaan Islamic Insurance Company Q.S.C. "BEEMA" as of December 31, 2010, and of its financial performance and its cash flows for the period from October 14, 2009 (date of inception) to December 31, 2010 in accordance with International Financial Reporting Standards.

Other Legal and Regulatory Requirements

Furthermore, in our opinion the financial statements provide the information required by the Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association. We are also of the opinion that proper books of account were maintained by the Company. To the best of our knowledge and belief and according to the information given to us, no contraventions of the Law or the Company's Articles of Association, were committed during the year which would materially affect the Company's activities or its financial position.

For Deloitte & Touche



Midhat Salha
License No. 257

Doha – Qatar
January 30, 2010

DAMAAN ISLAMIC INSURANCE COMPANY Q.S.C. "BEEMA"

STATEMENT OF FINANCIAL POSITION

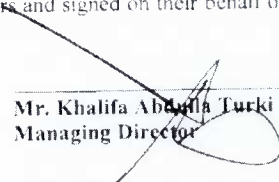
As at December 31, 2010

| | Note | 2010 QR. |
|---|------|---------------------------|
| Policyholders' Assets | | |
| Cash and bank balances | 5 | 14,250,954 |
| Contributions receivable | 6 | 3,218,245 |
| Reinsurance contract assets | 9 | 5,644,010 |
| Prepayments and other assets | 7 | 384,850 |
| Total Policyholders' Assets | | <u>23,498,059</u> |
| Shareholders' Assets | | |
| Cash and bank balances | 5 | 79,252,432 |
| Available for sale investments | 8 | 50,050,000 |
| Held for trading investments | 8 | 68,105,660 |
| Accrued investment income | | 581,573 |
| Property and equipment | 10 | 6,548,817 |
| Other receivables | | 192,362 |
| Total Shareholders' Assets | | <u>204,730,844</u> |
| Total Assets | | <u>228,228,903</u> |
| Policyholders' Liabilities and Surplus | | |
| Due to reinsurers | | 4,139,018 |
| Insurance contract liabilities | 9 | 16,190,392 |
| Payables, accruals and other liabilities | | 149,868 |
| Surplus | | 3,018,781 |
| Total Policyholders' Liabilities and Surplus of Policyholders | | <u>23,489,059</u> |
| Shareholders' Liabilities | | |
| Accruals and other credit balances | | <u>2,766,304</u> |
| Shareholders' Equity | | |
| Share capital | 17 | 200,000,000 |
| Legal reserves | 18 | 216,454 |
| Fair value reserves | | (200,000) |
| Retained earnings | | 1,948,086 |
| Total Shareholders' Equity | | <u>201,964,540</u> |
| Total Liabilities, Surplus of Policyholders and Shareholders' Equity | | <u>228,228,903</u> |

These financial statements were approved by the Board of Directors and signed on their behalf on January 18, 2011 by:



 Sheikh Jassim Bin Hamad Bin Jassim Al- Thani
 Chairman



 Mr. Khalifa Abdullah Turki Al- Subaey
 Managing Director

The attached notes form part of these financial statements.

DAMAAN ISLAMIC INSURANCE COMPANY Q.S.C. "BEEMA"

STATEMENT OF INCOME AND EXPENSES OF POLICYHOLDERS

For the period from October 14, 2009 (date of inception) to December 31, 2010

| | <u>Note</u> | <u>2010</u> <u>QR.</u> |
|--|-------------|---------------------------|
| Gross contributions | 11 | 33,185,727 |
| Wakala Fee | 13b | (4,123,710) |
| Reinsurance contributions ceded | 11 | <u>(13,911,851)</u> |
| Retained contributions | 11 | 15,150,166 |
| Unexpired risk reserve | 11 | <u>(8,793,044)</u> |
| Net earned contributions | | 6,357,122 |
| Net commissions | | <u>(912,138)</u> |
| Total (1) | | <u>5,444,984</u> |
| Gross claims incurred | 11 | 3,025,892 |
| Provision for outstanding claims | 11 | 1,050,690 |
| Reinsurance recoveries | 11 | <u>(1,564,728)</u> |
| Net claims incurred (2) | | <u>2,511,854</u> |
| Net underwriting income (1-2) | | <u>2,933,130</u> |
| Investment income | | 115,375 |
| Mudarib's share | 13a | <u>(46,150)</u> |
| Net Policy holder investment income | | <u>69,225</u> |
| Other Income | | 39,295 |
| Other Expenses | | <u>(22,869)</u> |
| Total surplus for the year | | <u>3,018,781</u> |

The attached notes form part of these financial statements.

DAMAAN ISLAMIC INSURANCE COMPANY Q.S.C. "BEEMA"

STATEMENT OF COMPREHENSIVE INCOME OF SHAREHOLDERS

For the period from October 14, 2009 (date of inception) to December 31, 2010

| | <u>Note</u> | <u>2010</u> |
|---|-------------|--------------------------|
| | | <u>QR.</u> |
| Income | | |
| Income from shareholders' investments | | 11,737,533 |
| Wakala Fee | 13 (b) | 4,123,710 |
| Shareholders' share in policyholders' investment income | 13 (a) | <u>46,150</u> |
| Gross income for the year (1) | | <u>15,907,393</u> |
| Expenses | | |
| Depreciation of property and equipments | | 2,080,794 |
| General and administrative expenses | 12 | <u>11,662,059</u> |
| Total expenses (2) | | <u>13,742,853</u> |
| Net income for the year (1-2) | | <u>2,164,540</u> |
| Other comprehensive income items: | | |
| Fair value adjustment – Available For Sale investments | | <u>(200,000)</u> |
| Total Comprehensive income for the period | | <u>1,964,540</u> |

The attached notes form part of these financial statements.

DAMAAN ISLAMIC INSURANCE COMPANY Q.S.C. "BEEMA"

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the period from October 14, 2009 (date of inception) to December 31, 2010

| | <u>Share Capital</u> QR. | <u>Legal Reserve</u> QR. | <u>Fair Value Reserve</u> QR. | <u>Retained Earnings</u> QR. | <u>Total</u> QR. |
|---|---------------------------------|---------------------------------|--------------------------------------|-------------------------------------|---------------------------|
| Shares issued during the period | 200,000,000 | | | | 200,000,000 |
| Total comprehensive income for the period | - | - | (200,000) | 2,164,540 | 1,964,540 |
| Transfers to legal reserve | - | 216,454 | - | (216,454) | - |
| Balance at December 31, 2010 | <u>200,000,000</u> | <u>216,454</u> | <u>(200,000)</u> | <u>1,948,086</u> | <u>201,964,540</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

DAMAAN ISLAMIC INSURANCE COMPANY Q.S.C. "BEEMA"**STATEMENT OF CASH FLOWS**

For the period from October 14, 2009 (date of inception) to December 31, 2010

| | <u>Note</u> | <u>2010</u> |
|---|-------------|-----------------------------|
| | | <u>QR.</u> |
| Cash Flows from Operating Activities | | |
| Policyholders' surplus for the period | | 3,018,781 |
| Net shareholders' income for the period | | 2,164,540 |
| Adjustments for : | | |
| Depreciation of property and equipment | | 2,080,794 |
| Unrealized revaluation profit on trading investments | | (3,105,660) |
| Prepayments and other assets | | (577,212) |
| Contributions receivable | | (3,218,245) |
| Due to reinsurers | | 4,139,018 |
| Payables, accruals and other liabilities | | 149,868 |
| Other payables - shareholders | | 2,766,304 |
| Provision for outstanding claims | | 1,753,339 |
| Unexpired risk reserve | | 8,793,043 |
| Net Cash flow from Operating Activities | | <u>17,964,570</u> |
| Cash Flows from Investing activities | | |
| Accrued investment income | | (581,573) |
| Purchase of property and equipment | | (8,629,611) |
| Purchase of investments | | (135,250,000) |
| Net Cash Used in Investing Activities | | <u>(144,461,184)</u> |
| Cash Flows from Financing activities | | |
| Issue of share capital | | 200,000,000 |
| Net Cash flow from Financing Activities | | <u>200,000,000</u> |
| Net Increase in Cash and Cash Equivalents | | 73,503,386 |
| Cash and Cash Equivalents at Beginning of the Period | | <u>-</u> |
| Cash and Cash Equivalents at End of the Period | 15 | <u>73,503,386</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

DAMAAN ISLAMIC INSURANCE COMPANY Q.S.C. "BEEMA"

NOTES TO THE FINANCIAL STATEMENTS

For the period from October 14, 2009 (date of inception) to December 31, 2010

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Damaan Islamic Insurance Company "BEEMA" ("the Company") was incorporated in the State of Qatar on October 14, 2009 as a closed Qatari shareholding company under Qatar Companies Law No. 5 of 2002 with Registration No: 43652.

The Company is primarily engaged in the business of underwriting general, Takaful (Life) and health none interest insurance in accordance with the provisions of Islamic Sharia. The Company also invests its capital and other resources in all related activities.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards and the provisions of the Articles of Association of the Company, which require the segregation and separate reporting of transactions and balances relating to policyholders and shareholders. According to the Articles of Association of the Company, all risks and rewards arising from the insurance business are attributable to the policyholders and the financial statements have been drawn up accordingly.

3. ADOPTION OF NEW AND REVISED STANDARDS

3.1 Standards and Interpretations in issue not yet effective

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

(i) Revised Standards

Effective for annual periods beginning on or after February 1, 2010

- IAS 32 (Revised) *Financial Instruments : Presentation*

Effective for annual periods beginning on or after July 1, 2010

- IFRS 1 (Revised) *First time adoption of International Financial Reporting Standards.*
- IFRS 3 (Revised) *Business combinations*
- IAS 27 (Revised) *Consolidated and Separate Financial Statements*

Effective for annual periods beginning on or after January 1, 2011

- IFRS 1 (Revised) *First time adoption of International Financial Reporting Standards*
- IFRS 7 (Revised) *Financial Instruments disclosures IAS 1 (Revised) – Presentation of Financial Statements*
- IAS 24 (Revised) *Related Party Disclosures*
- IAS 34 (Revised) *Interim Financial Reporting.*

3. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

3.1 Standards and Interpretations in issue not yet effective (continued)

(ii) New Standard:

Effective for annual periods beginning on or after January 1, 2013 (Early adoption allowed)

- IFRS 9 *Financial Instruments – Classification and Measurement*

(iii) Revised Interpretations

Effective for annual periods beginning on or after January 1, 2011

- IFRIC 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

(iv) New Interpretations

Effective for annual periods beginning on or after July 1, 2010

- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

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

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of Qatar Commercial Companies' Law No. 5 of 2002.

Accounting convention

The financial statements have been prepared under the historical cost convention except for the measurement at fair value of financial instruments.

The financial statements are presented in Qatari Riyals.

Revenue recognition

Gross contributions (contributions) represent policies underwritten during the year, net of refunds and discounts granted. Gross contributions for Takaful (Life) business are recognised when due. Income from investments in portfolios and shares is recognized when the right to receive the amount is established. Income from deposits with Islamic banks is accounted for on the basis of profits advised by Islamic banks taking into account the principal outstanding.

Unexpired risks reserve

The reserve for unexpired risks represents the estimated portion of net contribution income after deduction of the re-insurance share which relates to the period subsequent to the balance sheet date. The reserve is calculated at 35% of net retained annual contributions on Motor, 40% of net retained annual contributions on Fire and General Accident, 25% of net retained annual contributions in case of Marine.

For Takaful (Life) business the unexpired risks reserve is determined based on management estimate for the first year of operations.

Provision for outstanding claims

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

DAMAAN ISLAMIC INSURANCE COMPANY Q.S.C. "BEEMA"

NOTES TO THE FINANCIAL STATEMENTS

For the period from October 14, 2009 (date of inception) to December 31, 2010

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Available-for-sale

After initial recognition, investments which are classified "available for sale" is remeasured at fair value. The unrealised gains and losses on remeasurement to fair value are reported as a separate component of shareholders' equity for shareholders' investments and policyholders' liabilities for policyholders' investments until the investment is sold, collected or otherwise disposed of, or the investment is determined to be impaired, at which time the cumulative gain or loss included in the statement of income for the year.

Investment held for Trading

Investments in equity instruments are classified as held for trading, unless the Company designates them as an investment that is not held for trading, available for sale at initial recognition. The unrealized gains and losses on remeasurement to fair value are reported in the statement of income.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided on a straight line basis on all property and equipment other than freehold land which is determined to have an indefinite life.

The rates of depreciation used based on the estimated useful lives of the assets, and as approved by the financial regulations of the Company, are as follows

| | Rates |
|-----------------------|--------------|
| Motor vehicles | 20 % |
| Furniture & Equipment | 15% |
| Computer equipment | 33% |
| All other assets | 20 % |

Employees' end of service benefits

A provision is made for employees' end of service benefits which is payable on completion of employment. The provision is calculated in accordance with Qatari Labour Law based on employees' salaries and accumulated periods of service.

General and administrative expenses

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, savings and current account balances and investment deposits with banks having a maturity of less than three months.

Impairment and uncollectability of financial assets

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

- (a) For assets carried at fair value, impairment is the difference between cost and fair value;
- (b) For assets carried at cost, impairment is the difference between cost and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.
- (c) For assets carried at amortised cost, impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial assets' original effective interest rate.

DAMAAN ISLAMIC INSURANCE COMPANY Q.S.C. "BEEMA"

NOTES TO THE FINANCIAL STATEMENTS

For the period from October 14, 2009 (date of inception) to December 31, 2010

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***Commission earned and paid***

Commissions earned and paid are recognised at the time policies are issued.

Provisions

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

5 CASH AND BANK BALANCES

| | <u>2010</u> |
|------------------------------|--------------------------|
| Policyholders' | |
| Cash on hand | 50,000 |
| Balances with Islamic Banks: | |
| Investment deposits | <u>14,200,954</u> |
| Total | <u>14,250,954</u> |
| Shareholders' | |
| Cash on hand | 4,950 |
| Balances with Islamic Banks: | |
| Investment deposits | 60,399,060 |
| Saving accounts | <u>38,848,422</u> |
| Total | <u>99,252,432</u> |

Investment deposits have original maturities of less than three (3) months and earn profit ranges from 3.5% to 5%.

6 CONTRIBUTIONS RECEIVABLE

| | <u>2010</u> |
|-------------------------|------------------|
| | <u>QR.</u> |
| Contribution receivable | <u>3,218,245</u> |

In determining the recoverability of accounts receivable, the Company considers any dispute and change in the credit quality of the accounts receivable from the date credit was initially granted up to the reporting date. The Company estimates a provision for the value of doubtful debts for all contributions receivables from policyholders through monitoring collections and based on the management's past experience.

| | <u>2010</u> |
|----------------------------------|-------------------------|
| | <u>QR.</u> |
| (i) Not past due – not impaired: | |
| Less than 30 days | 1,038,379 |
| 30-90 days | 1,383,998 |
| 90-180 days | <u>795,868</u> |
| Total | <u>3,218,245</u> |

DAMAAN ISLAMIC INSURANCE COMPANY Q.S.C. "BEEMA"

NOTES TO THE FINANCIAL STATEMENTS

For the period from October 14, 2009 (date of inception) to December 31, 2010

7 PREPAYMENTS AND OTHER ASSETS

| | 2010 |
|--------------------------------------|-----------------------|
| | QR. |
| Other receivables and debit balances | 330,400 |
| Accrued investment income | 54,450 |
| Total | <u>384,850</u> |

8 INVESTMENTS

| | 2010 |
|------------------------------------|--------------------------|
| | QR. |
| Available for Sale: | |
| Initial investment – at cost | 30,250,000 |
| Fair value adjustment | (200,000) |
| Ending balance – fair value | <u>30,050,000</u> |
| Held for trading: | |
| Initial investment – at cost | 65,000,000 |
| Unrealized revaluation profit | 3,105,660 |
| Ending balance – fair value | <u>68,105,660</u> |

9 INSURANCE CONTRACT LIABILITIES AND RE-INSURANCE CONTRACT ASSETS

| | 2010 |
|---|--------------------------|
| | QR. |
| Gross | |
| Insurance contract liabilities | |
| Claims reported unsettled | 1,893,431 |
| Unearned contribution | 14,296,961 |
| Total insurance contract liabilities, gross | <u>16,190,392</u> |
| Recoverable from reinsurers | |
| Claims reported unsettled | 140,092 |
| Unearned contributions | 5,503,918 |
| Total reinsurers' share of insurance liabilities | <u>5,644,010</u> |
| NET | |
| Claims reported unsettled | <u>1,753,339</u> |
| Unearned contributions | <u>8,793,043</u> |

DAMAAN ISLAMIC INSURANCE COMPANY Q.S.C. "BEEMA"

NOTES TO THE FINANCIAL STATEMENTS

For the period from October 14, 2009 (date of inception) to December 31, 2010

10 PROPERTY AND EQUIPMENT

| | Furniture & Equipment | Fixture & Fittings | Computer Equipment | Motor Vehicles | Total |
|---------------------------------|----------------------------------|-------------------------------|---------------------------|-----------------------|------------------|
| | QR. | QR. | QR. | QR. | QR. |
| Cost | | | | | |
| Additions | 1,002,180 | 3,470,546 | 3,159,385 | 997,500 | 8,629,611 |
| At December 31, 2010 | 1,002,180 | 3,470,546 | 3,159,385 | 997,500 | 8,629,611 |
| Accumulated Depreciation | | | | | |
| Charges for the period | 149,942 | 694,109 | 1,037,285 | 199,458 | 2,080,794 |
| At December 31, 2010 | 852,238 | 2,776,437 | 2,122,100 | 798,042 | 6,548,817 |

11 INSURANCE REVENUE / SEGMENT REPORTING

The Company is organised into business units which comprise of underwriting General, Takaful (Life) and Health insurance in accordance with the provisions of Islamic Sharia' and investing its capital in all activities on the basis other than of interest. Geographically, the Company operates in Qatar and all surpluses are generated in Qatar.

| | Marine | Motor | Fire & General Accident | Takaful & Health | Eng & WC | Total |
|---|-----------------|--------------------|------------------------------------|-----------------------------|---------------------|--------------------|
| | QR. | QR. | QR. | QR. | | QR. |
| Gross contributions received | 2,332,117 | 8,837,416 | 3,256,248 | 12,850,118 | 5,909,828 | 33,185,727 |
| Re-insurance share of contributions ceded | (1,301,650) | (774,244) | (2,130,227) | (4,913,528) | (4,792,202) | (13,911,851) |
| Unexpired risk reserve | (274,110) | (2,976,895) | (695,362) | (4,576,524) | (270,153) | (8,793,044) |
| Net commission | (39,132) | (27,981) | (152,736) | (675,502) | (16,787) | (912,138) |
| Total underwriting income | 717,225 | 5,058,296 | 277,923 | 2,684,564 | 830,686 | 9,568,694 |
| Gross claims incurred | (9,899) | (1,756,331) | -- | (1,253,704) | (5,958) | (3,025,892) |
| Re-insurance share of claims recovery | 6,898 | 656,940 | -- | 894,961 | 5,929 | 1,564,728 |
| Provision for outstanding claims | (49,676) | (803,727) | (3,795) | (95,146) | (98,346) | (1,050,690) |
| Net claims incurred | (52,677) | (1,903,118) | (3,795) | (453,889) | (98,375) | (2,511,854) |
| Less: Agency commission | (345,891) | (1,767,483) | (482,135) | (1,458,968) | (69,233) | (4,123,710) |
| Net underwriting income | 318,657 | 1,387,695 | (208,007) | 771,707 | 663,078 | 2,933,130 |

DAMAAN ISLAMIC INSURANCE COMPANY Q.S.C. "BEEMA"

NOTES TO THE FINANCIAL STATEMENTS

For the period from October 14, 2009 (date of inception) to December 31, 2010

12 GENERAL AND ADMINISTRATIVE EXPENSES

| | <u>2010</u> |
|--|--------------------------|
| | <u>QR.</u> |
| Staff cost | 5,620,562 |
| Rent | 2,821,276 |
| Printing, stationery and advertisement | 118,480 |
| Postage and telephone | 82,876 |
| Others | 3,018,865 |
| Total | <u>11,662,059</u> |

13 (a) MUDARIB'S SHARE

| | <u>2010</u> |
|---|----------------------|
| | <u>QR.</u> |
| Shareholders' share in policyholders' investment income * | 46,150 |
| Total | <u>46,150</u> |

* This represents management fee payable to the shareholders by the policyholders for managing the investments. The fees are calculated at a rate of 40% of the net income received on the investments of the policyholders. The actual rate for each year is determined by the Company's Board of Directors and approval of the Company's Sharia Supervisory Board.

13 (b) WAKALA FEE

The Wakala fee is provided to shareholders' at the rate of 20% of gross insurance contribution for the year after deducting the share of local co-insurers as determined by the Company's Board of Directors and approved by the Company's Sharia Supervisory Board..

14 EARNINGS PER SHARE

Earnings per share are calculated by dividing the net income for the year attributable to the shareholders by the weighted average number of ordinary shares in issue during the year as follows:

| | <u>2010</u> |
|---|--------------|
| | <u>QR.</u> |
| Net income for the year attributable to the ordinary shareholders | 2,164,540 |
| Number of ordinary shares | 20,000,000 |
| Basic and diluted earnings per ordinary share | <u>0.108</u> |

15 CASH AND CASH EQUIVALENTS

| | <u>2010</u> |
|--|--------------------------|
| | <u>QR.</u> |
| Cash on hand | 54,950 |
| Deposits and saving accounts: | |
| Deposits and saving accounts – policyholders | 14,200,954 |
| Deposits accounts – shareholders | 79,247,482 |
| Less: term deposits is due more than 90 days | (20,000,000) |
| Total | <u>73,503,386</u> |

DAMAAN ISLAMIC INSURANCE COMPANY Q.S.C. "BEEEMA"

NOTES TO THE FINANCIAL STATEMENTS

For the period from October 14, 2009 (date of inception) to December 31, 2010

16 CONTINGENT LIABILITIES

| | <u>2010</u> |
|-----------------|----------------|
| | <u>QR.</u> |
| Bank guarantees | <u>323,827</u> |

17 SHARE CAPITAL

The authorised, issued and fully paid share capital consists of 20,000,000 ordinary shares of QR 10 each.

18 LEGAL RESERVE:

In accordance with Qatar Commercial Companies Law No.5 of 2002 and the Company's Articles of Association, 10% of the net income for the year is to be transferred to legal reserve. This reserve is to be maintained until the reserve equals 50% of the paid capital and is not available for distribution except in circumstances specified in the above Law.

19 COMPENSATION OF KEY MANAGEMENT PERSONNEL

The benefits of key management personnel during the year were as follows:

| | <u>2010</u> |
|--------------------------|------------------|
| | <u>QR.</u> |
| Short term benefits | <u>2,645,400</u> |
| Post employment benefits | <u>194,425</u> |

20 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners.

| | <u>2010</u> |
|------------------------------|-------------------|
| | <u>QR.</u> |
| Gross Contributions Received | <u>15,694,699</u> |

DAMAAN ISLAMIC INSURANCE COMPANY Q.S.C. "BEEMA"

NOTES TO THE FINANCIAL STATEMENTS

For the period from October 14, 2009 (date of inception) to December 31, 2010

21 RISK MANAGEMENT

i. Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed the carrying amount of insurance liabilities. This could occur because the frequency or amounts of claims are more than expected. The Company manages insurance risk through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the risks underwritten are well diversified in terms of type and amount of risk, industry and geography. Underwriting limits are in place to enforce risk selection criteria.

The analysis below is performed for reasonably possible movements in key assumption with all other assumptions held constant showing the impact on liabilities and net profit:

Insurance Risk

| Changes in Assumptions | Impact on Liabilities 2010 QR. | Impact on Net Profit 2010 QR. |
|-------------------------------|--------------------------------------|-------------------------------------|
| +/- Change in claims incurred | +/- 302,589 | +/- 302,589 |

ii. Reinsurance risk

The Company, in the normal course of business, in order to minimise financial exposure arising from large claims, enters into contracts with other parties for 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 proportional and excess of loss reinsurance treaties and facultative reinsurance.

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

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

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

iii. Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Forward exchange contracts are used to hedge the foreign currency exposure of the Company's liabilities payable in foreign currencies. The foreign exchange currency exposure is minimal since all open exchange contracts are hedged and the Company deals mainly in Qatar Riyal and US Dollar.

iv. Market risk

The Company is subject to market risk in relation to available-for-sale and trading investments. The Company evaluates the current market value and other factors including normal volatility in share price for quoted equities and other relevant factors such as investment manager's periodic reports relating to unquoted equities in order to manage its market risk.

A 10% increase or decrease in market values of the Company's portfolio of available-for-sale investment is expected to result in an increase or decrease of QR. 5,005,000 for shareholders in the assets and equity of the Company.

21 RISK MANAGEMENT (continued)

v. Credit and liquidity 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.

A credit risk policy setting out the assessment and determination of what constitutes credit risk for the Company has been established and policies and procedures are in place to mitigate the Company's pertinence and for the changes in the risk environment.

For all classes of financial assets held by the Company, other than those relating to reinsurance contracts, the maximum credit risk exposure to the Company is the carrying value as disclosed in the financial statements at the balance sheet date.

Reinsurance is placed with reinsurers approved by the management, which are generally international and rated by international rating agencies or other GCC securities.

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

Carrying value presented in the financial statements represent the maximum credit limit for all financial assets of the Company's financial assets.

The Company places cash with local Islamic banks with good credit ratings and it recognises dividends based on the dividends issued by these banks.

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

vi. Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly Fire & accident and Marine & Engineering risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place.

vii. Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

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

22 KEY SOURCES OF ESTIMATES UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimates uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

• Claims made under insurance contracts

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

22 KEY SOURCES OF ESTIMATES UNCERTAINTY (CONTINUED)

• **Impairment of Insurance and other receivables**

An estimate of the collectible amount of insurance and other receivables is made when collection of the full amount is no longer probable. This determination of whether these insurance and other receivables are impaired, entails the Company evaluating, the credit and liquidity position of the policyholders and the difference between the estimated collectible amount and the book amount is recognized as an expense in the income statement. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognized in the income statement at the time of collection.

• **Classification of equity investments**

Management decides on the acquisition of an investment whether to classify it as available for sale or trading investment. The Company classifies investments as trading investment if the investment is held for trading and upon initial recognition it is designated by the Company as trading. All other investments are classified as available for sale.

• **Impairment of investment**

Management evaluates its investments for impairment on a regular basis where there is a prolonged decline. Management estimates the value of impairment on a case by case basis and the same is charged in the income statement.

23 FINANCIAL INSTRUMENTS

Financial instruments consist of financial assets and financial liabilities.

Financial assets of the Company include cash and cash equivalents, contributions receivable, due from reinsurers and investments.

Financial liabilities of the Company include insurance contract liabilities, due to reinsurers, accounts payable. Accounting policies for the financial assets and liabilities are set out in Note 3.

Fair value of financial instruments

Available for sale investments are carried at fair value which is based on quoted market prices of securities. The fair value of other financial instruments approximates their carrying value.

24 ZAKAT

The Articles of Association of the Company do not authorise Management to pay Zakat on behalf of the shareholders. The responsibility of paying Zakat rests with the shareholders.