DAMAAN ISLAMIC INSURANCE COMPANY “BEEMA” (C.Q.S.C.)

FINANCIAL STATEMENTS

31 December 2013

Financial statements
For the year ended 31 December 2013

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Independent Auditors' Report to the shareholders of
Damaan Islamic Insurance Company "BEEMA" (C.Q.S.C)
Doha, State of Qatar

Report on the financial statements

We have audited the accompanying financial statements of Damaan Islamic Insurance Company "BEEMA" (C.Q.S.C.) (the "Company"), which comprise the statement of financial position as at 31 December 2013 and the related statements of policyholders' revenue and expenses, policyholders' surplus and deficit, income, cash flows and changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Respective responsibilities of Board of Directors and Auditors

These financial statements and the Company's undertaking to operate in accordance with Islamic Shari'a rules and principles are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of opinion

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

Opinion

In our opinion, the financial statements give a true and fair view of, the financial position of the Company as at 31 December 2013, and of the results of its operations, the policyholders' revenues and expenses, policyholders' surplus and deficit, changes in shareholders equity and cash flows for the year then ended, in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions, and Shari'a Rules and principles as determined by the Shari'a Supervisory Board of the Company.

Report on other legal and regulatory requirements

We have obtained all the information and explanations which we considered necessary for the purpose of our audit. The Company has maintained proper accounting records and the financial statements are in agreement therewith. We are not aware of any violation of the applicable provisions of the Qatar Commercial Companies Law No 5 of 2002 and the terms of Articles of Association having occurred during the year which might have had a material adverse effect on the business of the Company or its financial position as at 31 December 2013.

15 January 2014
Doha
State of Qatar

Yacoub Hobeika
KPMG
Qatar Auditors Registry Number 289

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

STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

In Qatari Riyals

	Notes	2013	2012
Assets			
Cash and bank balances	4	158,398,007	92,314,117
Investment securities	5	419,472,488	268,642,794
Contributions receivable		34,890,382	19,566,888
Due from reinsurers		10,116,915	4,281,934
Other receivables and prepayments	6	12,749,638	8,416,492
Property and equipment	7	2,731,538	3,298,469
Total assets		**638,358,968**	396,520,694
Liabilities, policyholders' equity and shareholders' equity			
Liabilities			
Due to reinsurers		8,757,361	12,814,561
Takaful contract liabilities	8	131,306,533	89,924,034
Murabaha finance	9	200,034,638	43,995,711
Distributable surplus payable	10	6,977,558	4,134,400
Provisions and other liabilities	11	26,168,628	16,123,956
Total liabilities		**373,244,718**	166,992,662
Policyholders' equity (Page 4)		**10,197,575**	6,001,248
Shareholders' equity			
Share capital	12.1	200,000,000	200,000,000
Legal reserve	12.2	4,951,700	1,887,360
Fair value reserve	12.3	6,154,984	5,408,486
Retained earnings		43,809,991	16,230,938
Total shareholders' equity (Page 7)		**254,916,675**	223,526,784
Total liabilities, policyholders equity and shareholders' equity		**638,358,968**	396,520,694

These financial statements were approved by the Board of Directors and signed on its behalf by the following on 15 Jan 2014.

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

Mr. Khalifa Abdulla Turki Al Subaey
Managing Director

The attached notes 1 to 28 form an integral part of these financial statements.

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

STATEMENT OF POLICYHOLDERS' REVENUE AND EXPENSES
For the year ended 31 December 2013

In Qatari Riyals

	Notes	2013	2012
Revenue			
Gross contributions	13	204,113,611	158,100,959
Wakala fee	13	(38,435,369)	(24,503,149)
Re-Takaful share of gross contributions	13	(39,253,117)	(34,371,449)
Net contributions		**126,425,125**	99,226,361
Movement in unearned contribution	13	(36,014,003)	(32,827,848)
Net earned contributions		**90,411,122**	66,398,513
Net commission expenses	13	(10,817,445)	(5,880,414)
Underwriting income		**79,593,677**	60,518,099
Expenses			
Gross claims paid	13	(106,730,242)	(63,052,941)
Movement in outstanding claims	13	(5,368,496)	(17,263,014)
Re-Takaful and other recoveries	13	40,732,676	22,408,716
Total expenses		**(71,366,062)**	(57,907,239)
Net underwriting results		**8,227,615**	2,610,860
Investment income	14	1,954,543	754,148
Other income		180,633	114,390
Other expenses		(428,141)	(473,136)
Total surplus for the year		**9,934,650**	3,006,262

STATEMENT OF POLICYHOLDERS' SURPLUS AND DEFICIT
For the year ended 31 December 2013

In Qatari Riyals

	Note	2013	2012
Balance at 1 January		**6,001,248**	6,979,265
Surplus for the year		9,934,650	3,006,262
Surplus declared during the year	10	(3,404,817)	(4,255,100)
Net change in fair value of investment securities	5	(2,333,506)	270,821
Retained surplus at 31 December		**10,197,575**	6,001,248

The attached notes 1 to 28 form an integral part of these financial statements.

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

STATEMENT OF INCOME
For the year ended 31 December 2013

In Qatari Riyals

	Note	2013	2012
Income			
Income from shareholder's investments		15,062,520	9,545,808
Wakala fee		38,435,369	24,503,149
Shareholders' share in policyholders' investment income	14	1,303,029	502,765
Total income		**54,800,918**	34,551,722
Expenses			
Staff costs		11,806,721	10,073,273
Depreciation of property and equipment	7	1,677,721	1,858,603
General and administrative expenses	15	9,149,434	7,374,803
Finance costs		1,523,649	1,040,579
Total expenses		**24,157,525**	20,347,258
Net profit for the year		**30,643,393**	14,204,464

STATEMENT OF CASH FLOWS
For the year ended 31 December 2013

In Qatari Riyals

	Note	2013	2012
OPERATING ACTIVITIES			
Net profit for the year		30,643,393	14,204,464
Surplus from takaful operations		9,934,650	3,006,262
Adjustments for :			
Depreciation for property and equipment	7	1,677,721	1,858,603
Operating profit before operating assets and liabilities changes		42,255,764	19,069,329
Change in contribution receivables		(15,323,494)	(925,256)
Change in due from reinsurers		(5,834,981)	(4,058,893)
Change in other receivables and prepayments		(4,333,146)	(4,120,615)
Change in due to reinsurers		(4,057,200)	(2,508,420)
Change in takaful contract liabilities		41,382,499	50,090,861
Change in provisions and other liabilities		10,044,672	2,274,970
Net cash flows from operating activities		**64,134,114**	**59,821,976**
INVESTING ACTIVITIES			
Acquisition of property and equipment	7	(1,110,790)	(627,266)
Acquisition of investment securities	5	(152,416,702)	(47,236,983)
Net cash used in investing activities		**(153,527,492)**	**(47,864,249)**
FINANCING ACTIVITIES			
Policyholders' surplus distributed during the year	10	(561,659)	(1,263,453)
Murabaha finance		156,038,927	(14,663,178)
Net cash flows from/ (used in) financing activities		**155,477,268**	**(15,926,631)**
Increase/(decrease) in cash and cash equivalents during the year		**66,083,890**	**(3,968,904)**
Cash and cash equivalents at the beginning of the year		89,014,117	92,983,021
Cash and cash equivalents at the end of the year	**4**	**155,098,007**	**89,014,117**

The attached notes 1 to 28 form an integral part of these financial statements.

MAAN ISLAMIC INSURANCE COMPANY "BEEMA" (C.Q.S.C.)

ATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

r the year ended 31 December 2013

In Qatari Riyals

	Share Capital	Legal reserve	Fair value reserve	Retained earnings	Total equity
2					
ance at 1 January 2012	200,000,000	466,914	(2,939,207)	3,446,920	200,974,627
l income for the year					
profit for the year	-	-	-	14,204,464	14,204,464
change in fair value of investment securities	-	-	8,347,693	-	8,347,693
l comprehensive income for the year	-	-	8,347,693	14,204,464	22,552,157
sfer to legal reserve		1,420,446	-	(1,420,446)	-
nce at 31 December 2012	200,000,000	1,887,360	5,408,486	16,230,938	223,526,784

3					
ance at 1 January 2013	**200,000,000**	**1,887,360**	**5,408,486**	**16,230,938**	**223,526,784**
l income for the year					
profit for the year	-	-	-	30,643,393	30,643,393
change in fair value of investment securities	-	-	746,498	-	746,498
l comprehensive income for the year	-	-	746,498	30,643,393	31,389,891
sfer to legal reserve	-	3,064,340	-	(3,064,340)	-
nce at 31 December 2013	**200,000,000**	**4,951,700**	**6,154,984**	**43,809,991**	**254,916,675**

e attached notes 1 to 28 form an integral part of these financial statements.

1 LEGAL STATUS AND OPERATIONS

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

The Company is primarily engaged in the business of underwriting general, Takaful (Life) and health in accordance with the provisions of Islamic Shari'a. The Company also invests its capital and other resources in shari'a compliant financial instruments.

2 BASIS OF PREPARATION

a) Statement of compliance

These financial statements have been prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). In line with the requirements of AAOIFI, for matters that are not covered by FAS, the Company uses guidance from the relevant International Financial Reporting Standard ("IFRS").

(b) Principal financial statements

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

c) Basis of measurement

These financial statements are prepared in Qatari Riyals, which is the functional currency of the Company, and all values are rounded to the nearest Qatari Riyal except when otherwise indicated. These financial statements have been prepared on the historical cost basis except for fair value through equity investments.

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 27 to these financial statements.

d) New standards, amendments and interpretations effective from 1 January 2013

The following accounting standards and interpretations that are effective for the first time for the financial year beginning on or after 1 January 2013 and are expected to be relevant to the Company:

FAS – 26 'Investment in Real estate'

The entity has adopted Financial Accounting Standard 26 ("FAS 26") "Investment in real estate" issued by AAOIFI during 2012, which is effective from 1 January 2013. The new standard replaces the requirements of FAS 17 which was applied for investments in real estate. The significant requirement of the standard is that for investment in real estate held-for-use, the entity shall choose either fair value model or cost model as its accounting policy. Where the entity adopts fair value model, then fair value changes should be directly recognised in equity under 'property fair value reserve'. The standard has to be applied retroactively. Previously, the entity was following the fair value model.

The adoption of this standard is not expected to have a significant impact on the Company's financial statements.

e) *New standards, amendments and interpretations issued but not yet effective*

There are no AAOIFI accounting standards or interpretations that are effective for the first time for the financial year beginning on or after 1 January 2014 that would be expected to have a material impact on the Company.

3 SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been consistently applied to all periods presented in the financial statements:

a) Revenue recognition

Gross contributions

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

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

Retakaful share of contributions

Retakaful share of contributions are amounts paid to reinsurers in accordance with the re-takaful contracts of the Company.

Net commission expenses and advance commission fee

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

Islamic deposits

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

b) Claims

Gross claims are recognised in the policyholders' statement of revenue and expenses when the claim amount payable to policyholders and third parties is determined as per the terms of the re-takaful contracts. Claims incurred comprise the settlement and the handling costs of paid and outstanding claims arising from events occurring during the financial period.

c) Takaful contract liabilities

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

Unearned contributions provision

Unearned contributions provision represents the estimated portion of net premium income after deduction of the re-takaful share which relates to the period subsequent to the reporting date. The provision is calculated at 40% of net retained annual premiums on non marine class of business, and 25% of net retained annual premiums in case of Marine class of business.

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

Provision for outstanding claims

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Takaful contract liabilities (Continued)

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

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

- For Takaful (Life) business, based on a report provided by an independent actuarial value.
- For the Motor class of business, 5% of total claims incurred for the year.
- For the Medical class of business, based on two month's average monthly claims.

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

d) *Wakala fee*
The Company manages the general and takaful operations on behalf of the policyholders for a wakala fee (Management fee) calculated at the rate of 20% of gross contributions written for each class of business retained more than 80% of underwriting risk. Income from wakala receivables is recognised upfront except for long term policies for which wakala fee is deferred in proportion of unearned gross contribution to gross contribution written.

e) Mudaraba fees
The investments of the policyholders are managed by the Company for a share in the investment income on the basis of mudaraba model. The percentage of allocation for Mudaraba fees is fixed at 60:40. The Company acts as the Mudarib of the Takaful fund and gets a 40% share in the investment income generated from the policyholders' funds.

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

g) Financial instruments
Financial instruments represent the Company's financial assets and liabilities. Financial assets Include cash and bank balances, investment securities, contributions receivable, due from reinsurers and certain other assets. Financial liabilities include due to reinsurers, bank overdraft, takaful contract liabilities, murabaha finance and certain other liabilities. Financial instruments also include commitments not recognized but adequately disclosed in the respective notes to the financial statements.

(i) Classification
Cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition, including cash in hand other short-term highly liquid investments with original maturities of three months or less.

(ii) Recognition
The Company initially recognizes all financial assets and liabilities on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial instruments (Continued)

(iii) Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Company also derecognizes certain assets when it charges off balances pertaining to the assets deemed to be uncollectable. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

(iv) Measurement

Contribution receivables

Contribution receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, takaful receivables are measured at amortised cost.

Cash and cash equivalents

Cash and bank balances are carried at amortized cost in the statement of financial position.

Takaful contract liabilities

Amounts payable for takaful claims reported till the reporting date and the amount payable to re-takaful companies are accrued as a liability payable. The takaful claims are accrued on the basis of the actual losses reported against the policies underwritten by the Company during the period. The re-takaful liability is computed according to the contractual liability agreed with the re-takaful Company on individual policies.

h) Investment securities

Investment securities comprise investments in sukuk (Islamic bonds) and equity investments in entities.

(i) Classification

The Company classifies its investment securities in the following categories:

- Investments at fair value through income statement
- Investments carried at amortised cost
- Investments at fair value through equity

A debt type investment shall be classified and measured at amortised cost if the following conditions are met;

(a) the instrument is managed on a contractual yield basis;

(b) the instrument is not held for trading and has not been designated at fair value through income statement.

At inception, a debt type instrument, which is managed on a contractual yield basis, can only be designated at fair value through income statement if it eliminates an accounting mismatch that would otherwise arise on measuring assets or liabilities or recognising the gains and losses on them on different basis.

(ii) Recognition and derecognition

Investment securities are recognised at the trade date i.e. the date that the Company contracts to purchase or sell the asset, at which date the Company becomes party to the contractual provisions of the instrument. Investment securities are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risk and rewards of ownership.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Investment securities (Continued)

(iii) Measurement

Investment securities are measured initially at fair value, which is the value of the consideration given. Trading investments are initially recognised at fair value and transaction costs are expensed in the consolidated income statement. Other investment securities are recognised initially at fair value, plus attributable transaction costs.

Subsequent measurement

- Investment carried at amortised cost
At the end of each financial reporting period, investment classified at amortised cost shall be re-measured as such using the effective profit rate method. All gains or losses arising from the amortisation process and those arising on derecognition or impairment of the investment, are recognised in the consolidated income statement.

Investments carried at amortised cost shall be tested for impairment at each reporting period. An impairment loss shall be recognised when there is objective evidence of impairment and the carrying value exceeds the expected recoverable amount of the investment. Subsequent recovery of impairment losses are recognised through the income statement to the extent of previously recognised impairment losses.

- Investment at fair value through income statement
Investment held for trading and designated at fair value through income statement shall be re-measured at their fair value at the end of each reporting period. The resultant re-measurement gain-loss, if any, will be the difference between the book value or carrying amount and the fair value and shall be recognised in the income statement. All other gains or losses arising from these investments shall be recognised in the consolidated income statement.

- Investment designated at fair value through equity
Investment designated at fair value through equity shall be re-measured at their fair value at the end of each reporting period. The resultant re-measurement gain/loss, if any, will be the difference between the book value or carrying amount and the fair value and shall be recognised in the equity under "investments fair value reserves" taking into consideration the split between the portion to owners' equity and the portion related to the equity of policyholders.

(iv) Measurement principles
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus capital repayments, plus or minus the cumulative amortisation using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The calculation of the effective profit rate includes all fees and points paid or received that are an integral part of the effective profit rate.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The Company measures the fair value of quoted investments using the market bid-prices in an active market for that instrument.

i) Property and equipment

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Property and equipment (Continued)

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

Depreciation is provided on cost by the straight-line method and is charged to the statement of income, at annual rates which are intended to write off the cost of the assets over their estimated useful lives as follows:

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

j) Employees end of services benefits

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

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

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

k) Impairment

Financial assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Impairment (Continued)

Non financial assets

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then asset's recoverable amount is estimated. An impairment loss is recognised in profit or loss, whenever the carrying amount of an asset exceeds its recoverable amount.

The impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

l) Provisions

Provisions are recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

m) Liability adequacy test

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

n) Foreign currency transactions

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

4 CASH AND BANK BALANCES

	2013	2012
Cash on hand	-	-
Investment deposits (Islamic banks)	3,300,000	3,300,000
Saving accounts (Islamic banks)	154,390,120	87,604,790
Current account	707,887	1,409,327
Total cash and bank balances	**158,398,007**	92,314,117
Less:- Deposits with maturity over three months	(3,300,000)	(3,300,000)
Total cash and cash equivalents	**155,098,007**	89,014,117

5 INVESTMENT SECURITIES

	2013	2012
Fair value through equity investments		
Opening balance	268,642,794	212,787,298
Additions	152,416,702	47,236,983
Fair value movement – Shareholders	746,498	8,347,693
Fair value movement- Policyholders	(2,333,506)	270,820
Fair value through equity investments - net	**419,472,488**	268,642,794

The value of fair value through equity investments amounts to QR. 200,034,638 are pledged against the murabaha financing taken by the Company.

6 OTHER RECEIVABLES AND PREPAYMENTS

	2013	2012
Other receivables and debit balances	578,296	962,262
Advance commission and wakala fee	10,454,530	7,056,477
Accrued claims recovery	1,397,033	-
Accrued investment income	319,779	397,753
Total	**12,749,638**	8,416,492

7 PROPERTY AND EQUIPMENT

	Furniture and Equipment	Fixtures and Fittings	Computer Equipment	Motor Vehicles	2013 Total	2012 Total
Cost						
Opening balance	1,200,425	3,775,452	3,377,293	997,500	9,350,670	8,723,404
Additions	111,775	331,926	605,089	62,000	1,110,790	627,266
At 31 December	**1,312,200**	**4,107,378**	**3,982,382**	**1,059,500**	**10,461,460**	9,350,670
Accumulated Depreciation						
Opening balance	429,588	2,161,435	2,892,335	568,843	6,052,201	4,193,598
Charges for the year	181,494	820,987	465,415	209,825	1,677,721	1,858,603
At 31 December	**611,082**	**2,982,422**	**3,357,750**	**778,668**	**7,729,922**	6,052,201
Net Book Value	**701,118**	**1,124,956**	**624,632**	**280,832**	**2,731,538**	-
Net Book Value	770,837	1,614,017	484,958	428,657	-	3,298,469

8 TAKAFUL CONTRACT LIABILITIES

	2013	2012
Outstanding claims reserve	32,100,650	26,732,154
Unearned contributions reserve	47,869,754	29,679,165
Mathematical reserve – Credit life	51,336,129	33,512,715
Total	**131,306,533**	89,924,034

Movements in outstanding claims reserve during the year are as follows:

	2013	2012
At 1 January	26,732,154	9,469,140
Claims incurred and other movements during the year	112,098,738	80,315,955
Claims paid during the year	(106,730,242)	(63,052,941)
At 31 December	**32,100,650**	26,732,154

Movement in provision for unearned contributions reserve and mathematical reserve during the year are as follows:

	2013	2012
At 1 January	63,191,880	30,364,032
Contributions written in the year	204,113,611	158,100,959
Contributions earned during the year	(168,099,608)	(125,273,112)
At 31 December	**99,205,883**	63,191,880

9 MURABAHA FINANCE

The Company has entered in to murabaha financing agreement with Bank Sarasin & Co. Limited, Switzerland to finance the shareholders' investment. The financing is pledged against all the accounts, the Company holds with the bank and repayable within 1 year.

	2013	2012
Balance at the beginning of year	43,995,711	58,658,889
Net movement made during the year	156,038,927	(14,663,178)
Balance at the end of year	**200,034,638**	43,995,711

10 DISTRIBUTABLE SURPLUS PAYABLE

	2013	2012
Balance at the beginning of year	4,134,400	1,142,753
Surplus distributed during the year	3,404,817	4,255,100
Payment made during the year	(561,659)	(1,263,453)
Balance at the end of year	**6,977,558**	4,134,400

The Board of directors have proposed to distribute 7% (2012: 5%) of contribution amounts to QR. 6,713,529 as surplus for policyholders for the year (2012: QR 3,404,817) out of the results of insurance operations. The proposal to distribute surplus will be submitted for formal approval at the Annual General Meeting. The balance of the retained surplus will be distributed to the policyholders in future years in accordance with the decision of the Shari'a' Supervisory Board.

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

11 PROVISIONS AND OTHER LIABILITIES

	2013	2012
Contribution payable	14,518,035	10,824,875
Accrued claims payable	5,226,131	1,440,436
Sundry creditors	158,246	195,250
Employee end of service benefits provision(11.1)	1,657,094	546,725
Other payables	4,609,122	3,116,670
Total	**26,168,628**	16,123,956

11.1 EMPLOYEES' END OF SERVICE BENEFITS

	2013	2012
Provision at 1 January	546,725	403,635
Expenses recognised for the year	435,527	197,789
Transferred from Qatar Insurance Company during the year	734,998	-
Payment made during the year	(60,156)	(54,699)
Provision at 31 December	**1,657,094**	546,725

12 SHARE CAPITAL AND RESERVES

12.1 Share capital

The authorised, issued and fully paid share capital consists of 20,000,000 ordinary shares of QR. 10 each (2011: 200,000,000).

12.2 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.

12.3 Fair value reserves

The fair value reserve comprises the cumulative net change in the fair value through equity financial assets until the investments are derecognized or impaired.

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T UNDERWRITING RESULTS

	Marine and Aviation		Motors		Fire and general Accident		Takaful and Health		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
ntributions	**3,313,094**	3,378,376	**106,376,044**	69,922,602	**17,940,765**	16,293,359	**76,483,708**	68,506,622	**204,113,611**	158,100,959
kala Fees	(662,619)	(675,675)	(21,275,209)	(13,984,520)	(2,961,663)	(2,016,632)	(13,535,878)	(7,826,322)	(38,435,369)	(24,503,149)
l contribution	(1,369,376)	(1,410,589)	(1,146,362)	(721,587)	(11,900,596)	(11,098,721)	(24,836,783)	(21,140,552)	(39,253,117)	(34,371,449)
ributions	**1,281,099**	1,292,112	**83,954,473**	55,216,495	**3,078,506**	3,178,006	**38,111,047**	39,539,748	**126,425,125**	99,226,361
t in unearned n reserve	2,473	(247,051)	(17,871,517)	(10,722,986)	(338,212)	(654,447)	(17,806,747)	(21,203,364)	(36,014,003)	(32,827,848)
d contributions	**1,283,572**	1,045,061	**66,082,956**	44,493,509	**2,740,294**	2,523,559	**20,304,300**	18,336,384	**90,411,122**	66,398,513
nissions	(83,740)	(40,417)	(1,615,769)	(1,284,767)	(1,063,469)	(461,521)	(8,054,467)	(4,093,709)	(10,817,445)	(5,880,414)
writing income	**1,199,832**	1,004,644	**64,467,187**	43,208,742	**1,676,825**	2,062,038	**12,249,833**	14,242,675	**79,593,677**	60,518,099
:										
ms	(559,183)	(79,268)	(73,241,886)	(43,660,154)	(3,870,206)	(1,631,627)	(29,058,967)	(17,681,892)	(106,730,242)	(63,052,941)
t in outstanding	25,246	(108,297)	(3,403,541)	(16,020,957)	(276,929)	(672,531)	(1,713,272)	(461,229)	(5,368,496)	(17,263,014)
l recoveries	480,688	64,951	16,871,585	8,277,961	3,480,239	1,338,764	19,900,164	12,727,040	40,732,676	22,408,716
s incurred	**(53,249)**	(122,614)	**(59,773,842)**	(51,403,150)	**(666,896)**	(965,394)	**(10,872,075)**	(5,416,081)	**(71,366,062)**	(57,907,239)
writing results	**1,146,583**	882,030	**4,693,345**	(8,194,408)	**1,009,929**	1,096,644	**1,377,758**	8,826,594	**8,227,615**	2,610,860

14 INVESTMENT INCOME

	2013	2012
Income from investment of policyholders	3,257,571	1,256,914
Shareholders share in policyholders income	(1,303,028)	(502,766)
Total	**1,954,542**	754,148

This represents management fee payable to the shareholders by the policyholders for managing the investments. The fees are calculated at a rate of 40% (2012: 40%) of the net income received on the investments of the policyholders. The actual rate for each year is determined by the Shari'a Supervisory Board with co-ordination with the Company's Board of Directors.

15 GENERAL AND ADMINISTRATIVE EXPENSES

	2013	2012
Rent	3,549,809	3,072,976
Printing and stationery	336,937	299,049
Advertisement expenses	622,689	458,331
Postage and telephone	254,150	162,463
IT support charges	770,550	608,936
Foreign travel expenses	168,539	204,614
Shari'a board remuneration	150,000	130,000
Board of directors' remuneration	950,000	700,000
Insurance expenses	401,052	246,120
Legal fee	93,053	125,394
Professional fee	337,972	85,000
Investment management fee	909,514	1,006,456
Other operating expenses	605,169	275,464
Total	**9,149,434**	7,374,803

16 RELATED PARTIES

16 (a)Transactions with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Name	Relationship	Nature of the transaction	2013	2012
Qatar Islamic Bank S.A.Q	Shareholder	Contribution earned	**17,842,476**	11,828,020
		Claims paid	**2,622,823**	616,020
Masraf Al Rayyan Q.S.C.	Shareholder	Contribution earned	**8,997,487**	10,914,939
		Claims paid	**482,983**	1,661,297
Barwa Real Estate Company	Shareholder	Contribution earned	**943,559**	2,758,057
		Claims paid	**1,302**	9,885
Q-Invest L.L.C.	Shareholder	Contribution earned	**464,777**	249,840
		Claims paid	**342,165**	200,103
Qatar Insurance Company	Shareholder	Contribution earned	**3,672,052**	1,804,812
		Claims paid	**342,165**	1,549,318
		IT support charges	**770,550**	608,936
		Investment management fee	**909,514**	1,006,456

(b)Due from related parties

	2013	2012
Qatar Islamic Bank S.A.Q.	4,716,540	-
Barwa Real Estate Company S.A.Q.	449,936	1,332,055
Qatar Insurance Company S.A.Q.	-	799,526
Q-Invest L.L.C.	3,839,372	34,076
	9,005,848	2,165,657

(c)Due to related parties

	2013	2012
Qatar Islamic Bank S.A.Q.	-	7,454,260
Masraf Al Rayyan Q.S.C.	4,882,608	1,418,863
Qatar Insurance Company S.A.Q.	432,618	-
	5,315,226	8,873,123

16 RELATED PARTIES (CONTINUED)

d) Compensation of key management personnel

Key management personnel comprise the Board of Directors and key members of management having authority and responsibility of planning, directing and controlling the activities of the Company. The benefits paid include:

	2013	2012
Salaries and other short term benefits	2,835,000	2,575,000
Employees' end of service benefits	435,527	197,789
Total	**3,270,527**	2,772,789

17 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	2013	2012
Bank guarantees	428,000	473,000
Operating leases	8,875,000	8,750,000

18 SHARI'A SUPERVISORY BOARD

The Company's business activities are subject to the supervision of a Shari'a Supervisory Board consisting of 3 members appointed by the Shareholders. The Shari'a Supervisory Board performs a supervisory role in order to determine whether the operations of the Company are conducted in accordance with Shari'a rules and principles.

19 EARNINGS PROHIBITED BY SHARI'A

There were no earnings realized during the period from transactions which are not permitted by Shari'a.

20 SOCIAL RESPONSIBILITY

The Company intends to discharge its social responsibilities through donations to charitable causes and organizations.

21 ZAKAH

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

22 GEOGRAPHICAL AND INDUSTRY CONCENTRATION

The industry concentration of the shareholders' income statement items as at and for the year ended 31 December 2013 was as follows:

2013	**Marine and Aviation**	**Motors**	**Fire and General Accident**	**Takaful & Health**	**Total**
Income statement items					
Net earned contribution	**1,283,572**	**66,082,956**	**2,740,294**	**20,304,300**	**90,411,122**
Net underwriting income	**1,199,832**	**64,467,187**	**1,676,825**	**12,249,833**	**79,593,677**
Net claims incurred	**(53,249)**	**(59,773,842)**	**(666,896)**	**(10,872,075)**	**(71,366,062)**

2012	Marine and Aviation	Motors	Fire and General Accident	Takaful & Health	Total
Income statement items					
Net earned contribution	1,045,061	44,493,509	2,523,559	18,336,384	66,398,514
Net underwriting income	1,004,644	43,208,743	2,062,039	14,242,675	60,518,099
Net claims incurred	(122,614)	(51,403,149)	(965,394)	(5,416,081)	(57,907,238)

As the Company's activities are performed on an integrated basis, a segmental analysis of assets and liabilities between these segments would not be meaningful.

GEOGRAPHICAL CONCENTRATION

The entire geographical concentration of the Company's assets, liabilities and income statement items as at and for the year ended 31 December 2013 was in Qatar.

23 POLICY HOLDERS' AND SHAREHOLDERS' ASSETS AND LAIBILITIES

2013	**Policyholders'**	**Shareholders'**	**Total**
Assets			
Cash and bank balances	61,747,986	96,650,021	158,398,007
Investment securities	114,293,102	305,179,386	419,472,488
Contributions receivable	34,890,382	-	34,890,382
Due from reinsurers	10,116,915	-	10,116,915
Other receivables and prepayments	12,089,674	659,964	12,749,638
Property and equipment	-	2,731,538	2,731,538
Total assets	**233,138,059**	**405,220,909**	**638,358,968**
Liabilities			
Due to reinsurers	8,757,361	-	8,757,361
Takaful contract liabilities	131,306,533	-	131,306,533
Murabaha finance	55,990,331	144,044,307	200,034,638
Distributable surplus payable	6,977,558	-	6,977,558
Provisions and other liabilities	19,908,701	6,259,927	26,168,628
Total liabilities	**222,940,484**	**150,304,234**	**373,244,718**

2012	Policyholders	Shareholders	Total
Assets			
Cash and bank balances	63,963,023	28,351,094	92,314,117
Investment securities	55,143,977	213,498,818	268,642,794
Contributions receivable	19,566,888	-	19,566,888
Due from reinsurers	4,281,934	-	4,281,934
Other receivables and prepayments	7,248,446	1,168,046	8,416,492
Property and equipment	-	3,298,469	3,298,469
Total assets	150,204,268	246,316,427	396,520,694
Liabilities			
Due to reinsurers	12,814,561	-	12,814,561
Takaful contract liabilities	89,924,034	-	89,924,034
Murabaha finance	-	43,995,711	43,995,711
Distributable surplus payable	4,134,400	-	4,134,400
Provisions and other liabilities	12,511,640	3,612,317	16,123,956
Total liabilities	119,384,635	47,608,028	166,992,662

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ATURTY OF ASSETS AND LIABILITIES

e following table sets out the maturity profile of the Company's assets and liabilities. The contractual maturities of assets and liabilities have been determined on basis of the remaining period at the reporting date to the contractual maturity date. Management monitors the maturity profile to ensure that adequate liquidity is intained. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

ATURITY PROFILE

e maturity profile of the Company's assets and liabilities as at 2013 was as follows:

	On demand	Up to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	No fixed Maturity	Total
;							
nd bank balances	-	158,398,007	-	-	-	-	158,398,007
nent securities	-	419,472,488	-	-	-	-	419,472,488
ution receivables	-	29,217,551	5,672,821	-	-	-	34,890,382
m reinsurers	-	10,116,915	-	-	-	-	10,116,915
eceivables	-	12,749,638	-	-	-	-	12,749,638
y and equipment	-	-	-	-	-	2,731,538	2,731,538
ssets	-	**629,954,599**	**5,672,821**	-	-	**2,731,538**	**638,358,968**
ies							
reinsurers	-	8,757,361	-	-	-	-	8,757,361
contract liabilities	-	131,306,533	-	-	-	-	131,306,533
ha finance	-	200,034,638	-	-	-	-	200,034,638
table surplus	-	6,977,558	-	-	-	-	6,977,558
es and other liabilities	-	26,168,628	-	-	-	-	26,168,628
abilities	-	**373,244,718**	-	-	-	-	**373,244,718**
RITY GAP	-	**256,709,881**	**5,672,821**	-	-	**2,731,538**	**265,114,250**

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ATURTY OF ASSETS AND LIABILITIES (CONTINUED)

ATURITY PROFILE

e maturity profile of the Company's assets and liabilities as at 2012 was as follows:

	On demand	Up to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	No fixed Maturity	Total
bank balances	-	92,314,117	-	-	-	-	92,314,117
nt securities	-	268,642,794	-	-	-	-	268,642,794
on receivables	-	18,924,297	642,591	-	-	-	19,566,888
reinsurers	-	4,167,722	114,212	-	-	-	4,281,934
eivables	-	8,416,492	-	-	-	-	8,416,492
and equipment	-	-	-	-	-	3,298,469	3,298,469
ets	-	392,465,422	756,803	-	-	3,298,469	396,520,694
nsurers	-	12,814,561	-	-	-	-	12,814,561
ontract liabilities	-	89,924,034	-	-	-	-	89,924,034
a finance	-	43,995,711	-	-	-	-	43,995,711
ble surplus	-	4,134,400	-	-	-	-	4,134,400
and other liabilities	-	16,123,957	-	-	-	-	16,123,957
lities	-	166,992,664	-	-	-	-	166,992,664
Y GAP	-	225,472,758	756,803	-	-	3,298,469	229,528,030

25 RISK MANAGEMENT

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

i) Takaful risk

Takaful risk is the risk that actual claims payable to contract holders in respect of insured events exceed the carrying amount of takaful liabilities. This could occur because the frequency or amounts of claims are more than expected. The Company manages takaful risk through its underwriting strategy, adequate re-takaful 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.

ii) Re-takaful 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 re-takaful purposes. Such re-takaful 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 re-takaful is effected under treaty, facultative and excess-of-loss re-takaful contracts.

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

Key assumptions

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example 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 circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly motor, medical & life takaful risks. The claims are normally advised and settled within one year of the insured event taking place.

25 RISK MANAGEMENT (CONTINUED)

ii) Re-takaful risk (Continued)

Sensitivities

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

The analysis below is performed for possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, net profit and equity.

		31 December 2013		31 December 2012	
	Change in assumptions	**Impact on Liabilities**	**Impact on Profit and Equity**	Impact on Liabilities	Impact on Profit and Equity
Incurred claim cost	+ 10%	**713,661**	**(713,661)**	579,072	(579,072)
Incurred claim cost	- 10%	**(713,661)**	**713,661**	(579,072)	579,072

Claims development

The Company maintains strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are generally resolved within one year. Further, the Company makes a provision for incurred but not reported claims in addition to the claims reported.

iii) 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. 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 exposure to credit risk. Compliance with the policy is monitored and exposures and breaches are regularly reviewed for pertinence and for changes in the risk environment.

For all classes of financial assets held by the Company, other than those relating to re-takaful contracts, the maximum credit risk exposure to the Company is the carrying value as disclosed in the financial statements at the reporting date. Re-takaful is placed with reinsureres approved by the management, which are generally international Companies that are rated by international rating agencies or other GCC securities.

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

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ISK MANAGEMENT (CONTINUED)
redit risk (continued)

posure to credit risk

rrying values presented in the financial statements represent the maximum credit exposure for all financial assets of the Company.

analysis of financial assets:

	Neither past due nor impaired	Past due but not impaired			Past due and impaired	
		<90 days	91 to 180 days	Above 181days		Total
ember 2013						
nd bank balances	158,398,007	158,398,007	-	-	-	158,398,007
ent securities	419,472,488	419,472,488	-	-	-	419,472,488
utions receivable	-	29,271,551	5,672,872	-	-	34,890,382
n reinsurers	-	10,116,915	-	-	-	10,116,915
ceivables	-	12,749,638	-	-	-	12,749,638
	577,870,495	**629,954,599**	**5,672,821**	**-**	**-**	**635,627,430**

	Neither past due nor impaired	Past due but not impaired			Past due and impaired	
		<90 days	91 to 180 days	Above 181days		Total
ember 2012						
nd bank balances	92,314,117	92,314,117	-	-	-	92,314,117
ent securities	268,642,794	268,642,794	-	-	-	268,642,794
utions receivable	-	11,629,638	7,294,659	642,591	-	19,566,888
n reinsurers	-	3,892,709	275,013	114,212	-	4,281,934
ceivables	-	8,416,492	-	-	-	8,416,492
	360,956,911	384,895,750	7,569,672	756,803	-	393,222,225

25 RISK MANAGEMENT (CONTINUED)

iii) Credit risk (continued)

Concentration risk

The Company monitors concentration of credit risk by counter party. Bank balances, deposits and saving accounts are placed with reputed Banks in Qatar. All counter parties relating to financial assets are located in State of Qatar.

Significant exposure is identified as aggregate exposure to a counterparty equal or exceeding 10% of capital resources.

iv) Liquidity risk

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.

The maturity profile of the Company's assets and liabilities is shown in note 24.

v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, profit rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates.

Management is of the opinion that the Company's exposure to currency risk is minimal as the Company's significant transactions are denominated in Qatari Riyal and the US Dollar, against which Qatari Riyal is pegged.

Profit rate risk

Profit rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates. The Company has fixed rate deposits and Murabaha finance which are not subject to profit rate risk.

Equity price risk

The Company is subject to market risk in relation to fair value through equity 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 fair value through equity investments is expected to result in an increase or decrease of QR 3,522,500 (2012: QR 10,524,959) in the assets and equity of the Company.

25 RISK MANAGEMENT (CONTINUED)

vi) Capital risk management

The management policy is to maintain a strong capital base so as to maintain the share holders, creditors and market confidence and to sustain future development of the business. The management monitors the return on capital, which the Company defines as profit for the year divided by total equity.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to any externally imposed capital requirements.

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties on an arm's length basis. Differences can therefore arise between the book values under the historical cost method and fair value estimates.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The fair values of financial assets and liabilities are not materially different from their carrying values at the reporting date.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Level 1	Level 2	Level 3	Total
As at 31 December 2013				
Fair value through equity investments	**35,225,000**	**384,247,488**	**-**	**419,472,488**
As at 31 December 2012				
Fair value through equity investments	105,249,594	163,393,200	-	268,642,794

27 KEY SOURCES OF ESTIMATES UNCERTAINITY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting 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 takaful contracts**
  Claims and loss adjustment expenses are charged to the income statement 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.

- **Impairment of takaful and other receivables**
  An estimate of the collectible amount of takaful and other receivables is made when collection of the full amount is no longer probable. This determination of whether these takaful and other receivables are impaired, entails the Company evaluating, the credit and liquidity position of the policy holders and the takaful companies, historical recovery rates including detailed investigations carried out during 2013 and feedback received from their legal department. 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.

28 COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform to the current period's presentation and these reclassifications did not have any impact on profit or equity in the prior periods.