

**DAMAAN ISLAMIC INSURANCE COMPANY
"BEEMA" (Q.S.C.C)
DOHA - QATAR**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2015**

DAMAAN ISLAMIC INSURANCE COMPANY "BEEMA" (Q.S.C.C)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
For the year ended December 31, 2015

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INDEPENDENT AUDITOR'S REPORT

**To the Shareholders
Damaan Islamic Insurance Company "BEEMA" (Q.S.C.C.)
Doha - Qatar**

Report on the financial statements

We have audited the accompanying financial statements of Damaan Islamic Insurance Company "BEEMA" (Q.S.C.C) (the "Company"), which comprise the statement of financial position as at December 31, 2015 and the related statements of profit or loss and retained surplus for policyholders, profit or loss and other comprehensive income of shareholders, changes in shareholders' equity and cash flows for the year then ended and summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and the applicable provisions of Qatar Commercial Companies' Law, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The management is also responsible for the Company's undertaking to operate in accordance with Islamic Sharia'a rules and principles.

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 Auditing Standards for Islamic Financial Institutions and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 entity'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 entity'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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 present fairly, in all material respects, the financial position of Damaan Islamic Insurance Company "BEEMA" (Q.S.C.C) as of December 31, 2015, and its financial performance and cash flows for the year then ended in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Report on Other Legal and Regulatory Requirements

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

**Doha - Qatar
January 19, 2016**

**For Deloitte & Touche
Qatar Branch**



**Walid Slim
Partner
License No. 319**

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

STATEMENT OF FINANCIAL POSITION

As at December 31, 2015

	Notes	2015 QR.	2014 QR.
Policyholders' assets			
Cash and bank balances			
Available for sale financial assets	5	105,805,510	129,250,930
Due from related parties	6	225,537,158	173,736,891
Retakaful contract assets	7 (b)	9,873,288	13,066,855
Takaful and other receivables	8	54,687,315	29,204,425
Total policyholders' assets	10	95,510,858	77,782,948
		491,414,129	423,042,049
Shareholders' assets			
Cash and bank balances			
Available for sale financial assets	5	42,875,065	11,815,932
Other receivables	6	277,389,316	255,104,951
Due from policyholders	10	843,390	1,114,570
Property and equipment		43,839,788	92,176,318
Total shareholders' assets	9	42,813,388	42,160,376
Total assets		407,760,947	402,372,147
		899,175,076	825,414,196
Liabilities and surplus of policyholders			
Takaful contract liabilities			
Due to related parties	8	287,271,920	212,822,391
Provisions, takaful and other payables	7 (c)	24,474,719	20,428,004
Murabaha finance	14	22,530,420	20,777,589
Due to shareholders	11	82,919,192	52,944,933
Distributable surplus payable		43,839,788	92,176,318
Policyholders' equity	15	15,201,980	10,542,038
		15,176,110	13,350,776
Total liabilities and surplus of policyholders		491,414,129	423,042,049
Shareholders' liabilities			
Provisions and other payables			
Murabaha finance	15	24,548,957	20,218,030
Employees' end of service benefits	12	99,714,791	105,775,312
Total liabilities of shareholders	17	1,443,557	2,088,263
		125,707,305	128,081,605
Shareholders' equity			
Share capital			
Legal reserve	13	200,000,000	200,000,000
Fair value reserve	14	13,573,283	8,921,080
Retained earnings		(12,923,875)	5,835,050
Total shareholders' equity		81,404,234	59,534,412
Total shareholders' liabilities and equity		282,053,642	274,290,542
Total liabilities, surplus of policyholders and shareholders' equity		407,760,947	402,372,147
		899,175,076	825,414,196

These financial statements were approved by the Board of Directors and signed on its behalf on January 19, 2016 by:


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


Khalifa Abdulla Turki Al Subaey
Managing Director

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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

STATEMENT OF PROFIT OR LOSS OF POLICYHOLDERS

For the year ended December 31, 2015

	Notes	2015 QR.	2014 QR.
Gross contributions	17	313,760,944	254,484,605
Re-Takaful share of gross contributions	17	(66,741,620)	(54,363,235)
Net contributions		247,019,324	200,121,370
Movement in unearned contribution	17	(30,849,165)	(36,461,596)
Net earned contributions		216,170,159	163,659,774
Gross claims paid	17	(162,145,812)	(141,173,450)
Re-Takaful and other recoveries	17	55,175,273	57,029,017
Movement in outstanding claims	17	(18,117,475)	(15,849,840)
Commission expense, net	18	(19,983,056)	(16,348,264)
		(145,071,070)	(116,342,537)
Net surplus from Takaful operation	17	71,099,089	47,317,237
Investment income	19 (a)	5,045,580	5,654,995
Investment expenses	19 (a)	(1,480,106)	(765,472)
Mudarib share	19 (a)	(1,840,479)	(2,421,049)
Wakala fees		(57,187,352)	(44,452,482)
Other income		2,918,920	2,908,694
Other expenses	20	(2,211,299)	(609,445)
Total surplus for the year		16,344,353	7,632,478

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

STATEMENT OF RETAINED SURPLUS FOR POLICYHOLDERS

For the year ended December 31, 2015

	Note	2015 QR.	2014 QR.
Balance at January 1,		13,350,776	10,197,575
Surplus for the year		16,344,353	7,632,478
Surplus declared during the year	15	(6,499,447)	(6,713,530)
Net change in fair value of available for sale financial assets		<u>(8,019,572)</u>	<u>2,234,253</u>
Retained surplus at December 31,		<u>15,176,110</u>	<u>13,350,776</u>

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF SHAREHOLDERS

For the year ended December 31, 2015

	Notes	2015 QR.	2014 QR.
Income			
Income from shareholder's investments	19 (b)	15,016,311	18,564,434
Wakala fee		57,187,352	44,452,482
Mudarib share	19 (a)	1,840,479	2,421,049
Other income		1,124,735	1,388,071
Total income		75,168,877	66,826,036
Expenses			
Staff costs		(16,288,119)	(14,330,927)
Depreciation of property and equipment	9	(909,751)	(1,668,938)
General and administrative expenses	21	(9,115,716)	(9,265,105)
Finance costs		(818,595)	(416,041)
Investment expenses		(1,514,671)	(1,451,224)
Total expenses		(28,646,852)	(27,132,235)
Profit for the year		46,522,025	39,693,801
Other comprehensive income			
<i>Items that may be reclassified subsequently to statement of profit or loss:</i>			
Net change in fair values of available for sale financial assets		(18,758,925)	(319,934)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		27,763,100	39,373,867

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2015

	Share Capital	Legal reserve	Fair value reserve	Retained earnings	Total
	QR.	QR.	QR.	QR.	QR.
Balance at January 1, 2014	200,000,000	4,951,700	6,154,984	43,809,991	254,916,675
Total comprehensive income for the year	--	--	(319,934)	39,693,801	39,373,867
Dividends paid	--	--	--	(20,000,000)	(20,000,000)
Transfer to legal reserve	--	3,969,380	--	(3,969,380)	--
Balance at December 31, 2014	200,000,000	8,921,080	5,835,050	59,534,412	274,290,542
Total comprehensive income for the year	--	--	(18,758,925)	46,522,025	27,763,100
Dividends paid	--	--	--	(20,000,000)	(20,000,000)
Transfer to legal reserve	--	4,652,203	--	(4,652,203)	--
Balance at December 31, 2015	200,000,000	13,573,283	(12,923,875)	81,404,234	282,053,642

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS

For the year ended December 31, 2015

	Notes	2015 QR.	2014 QR.
OPERATING ACTIVITIES			
Net profit for the year		46,522,025	39,693,801
Surplus from takaful operations		16,344,353	7,632,478
<i>Adjustments for:</i>			
Depreciation for property and equipment	9	909,751	1,668,938
Realized gain from investments		(20,461,891)	(24,219,429)
Impairment on financial assets	19	4,545,776	--
Loss on disposal of property and equipment		--	50,918
Provision for employees' end of service benefits		336,626	581,285
Operating profit before working capital changes		48,196,640	25,407,991
Change in due from related parties		3,193,567	(4,061,007)
Change in Takaful and other receivables		(17,456,730)	(23,316,982)
Change in due to related parties		4,046,715	908,798
Change in net Takaful contract liabilities		48,966,640	52,311,431
Change in provisions, Takaful and other payables		6,083,757	20,416,483
Cash flow generated from operating activities		93,030,589	71,666,714
End of service benefits paid		(981,332)	(150,116)
Net cash flows generated from operating activities		92,049,257	71,516,598
INVESTING ACTIVITIES			
Acquisition of property and equipment	9	(1,713,945)	(41,342,119)
Proceeds from sale of property and equipment		151,182	193,425
Net movement in investments		(84,947,014)	16,764,394
Net cash flows used in investing activities		(86,509,777)	(24,384,300)
FINANCING ACTIVITIES			
Policyholders' surplus paid during the year	15	(1,839,505)	(3,149,050)
Dividends paid	22	(20,000,000)	(20,000,000)
Murabaha finance		23,913,738	(41,314,393)
Net cash flows generated from / (used in) financing activities		2,074,233	(64,463,443)
Increase / (decrease) in cash and cash equivalents		7,613,713	(17,331,145)
Cash and cash equivalents at the beginning of the year		137,766,862	155,098,007
Cash and cash equivalents at the end of the year	5	145,380,575	137,766,862

The changes in due from policyholders and in due to shareholders were netted off and not included in the above statement.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

1. LEGAL STATUS AND OPERATIONS

Damaan Islamic Insurance Company "BEEMA" (Q.S.C.C) ("the Company") was incorporated in the State of Qatar on October 18, 2009 as a closed Qatari shareholder company under Qatar Commercial 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 non-profit takaful in accordance with the provisions of Islamic Shari'a. The Company also invests its capital in other Islamic investments resources.

2. BASIS OF PREPARATION

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, matters that are not covered by FAS, the Company uses guidance from the relevant International Financial Reporting Standard ("IFRS").

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' income, the statement of policyholders' surplus or deficit, the statement of changes in shareholders' equity, and the statement of cash flows.

Basis of preparation

The financial statements have been prepared under the historical cost basis except for certain financial instruments that are measured at fair value, in accordance with the principal accounting policies as set out below.

These financial statements are presented in Qatari Riyal (QR), which is the Company's functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES

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 income.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Retakaful share of contributions

Retakaful share of contributions are amounts paid to reinsurers in accordance with the re-takaful contracts of the Company. The retakaful share of contributions are recognized on the date on which the policy incepts.

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 "Takaful and other receivables" 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.

Wakala fee

The Shareholders' fund is entitled for an annual fixed management fee for Takaful Contributions received during the year. Wakala fee is computed at 20% of takaful contributions. The actual rate for each year is determined by the Shari'a Supervisory Board with co-ordination with the Company's Board of Directors. Wakala fee pertaining to Credit Life line of business that relate to periods of risk that extend beyond the end of the financial year is deferred and included under "Takaful and other receivables" in the statement of financial position.

Mudarib share

The Mudarib share represents management fee payable to the shareholders by the policyholders for managing their investments. A rate of 40% of the net income received on the investments of the policyholders are recognized as Mudarib share. The actual rate for each year is determined by the Shari'a Supervisory Board with co-ordination with the Company's Board of Directors.

Dividends income

Dividend income from investments is recognised when the Company's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

Claims

Gross claims are recognised in the policyholders' statement of income 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 paid and outstanding claims arising from events occurring during the financial period.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Takaful contract liabilities (continued)

Unearned contributions provision

Unearned contributions provision represents the portion of premium received or receivable after deduction of the re-takaful share which relates to the period subsequent to the reporting date. The provision is calculated in accordance with the pattern of insurance service provided under the contract (365th method). Under this method, the unearned contribution provision is recognised to cover the proportion of retained premiums written in a year which relate to the period of risk.

For Takaful (Credit 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.

Claims incurred but not reported (IBNR)

Claims provision also include 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 (Credit Life) business, based on a report provided by an independent actuarial value.
- For the Motor and Non-Motor class of business, 5% of net premium for the year or 10% of net outstanding claims, whichever is higher.

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

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.

Financial Instruments

Financial instruments represent the Company's financial assets and liabilities. Financial assets include cash and cash equivalents, available for sale financial assets and takaful and other receivables. Financial liabilities include short term borrowings and other payables.

Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), available for sale investments and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition to the net carrying amount on initial recognition.

- Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- (i) It has been acquired principally for the purpose of selling in the near future;
- (ii) On initial recognition it is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- (iii) it is a derivative that is not designated and effective as a hedging instrument.

- Available for sale financial assets - Quoted

The Company's investments in equity securities are classified as available for sale financial assets and are stated at fair value. The fair value of investment securities trading in active markets is based on market prices or broker/dealer valuations. Gains and losses arising from changes in fair value are recognised directly in equity in the fair value reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in the statement of profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the fair value reserve is taken to the statement of profit or loss.

- Available for sale financial assets - Unquoted

The fair value of these investments cannot be reliably measured due to the nature of their cash flows, these investments are therefore carried at cost less any provision for impairment.

- Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and short term deposits with an original maturity of three months or less.

- Contributions receivable

Contributions receivable are stated at original invoice amount, less any impairment for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

- Impairment of financial assets

An assessment is made at the end of each reporting period to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of profit or loss. Impairment is determined as follows:

- (a) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

- Impairment of financial assets (continued)

- (b) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of profit or loss.

For available for sale equity investment, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an available for sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to the statement of profit or loss in the period.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available for sale equity securities, impairment losses previously recognised through the statement of profit or loss are not reversed through the statement of profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available for sale debt securities, impairment losses are subsequently reversed through the statement of profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

- Derecognition of financial assets

The derecognition of a financial asset takes place when the Company no longer controls the contractual rights that comprise the financial asset, which is normally the case when the asset is sold, or all the cash flows attributable to the asset are passed through to an independent third party.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Accounts payable

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

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

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.

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 profit or loss in the year the asset is derecognised.

Depreciation is provided on cost by the straight-line method and is charged to the statement of profit or loss, 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

The depreciation method and the estimated useful lives are reviewed at each financial year to ensure that the method of depreciation and the period are consistent with the expected pattern of economic benefits from items of property and equipment.

Impairment of nonfinancial assets

The Company assesses at each financial reporting date whether there is an indication that its nonfinancial assets (e.g., property and equipment,) may be impaired. If such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of are recognized in the statement of profit or loss in those expense categories consistent with the function of the impaired asset.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employees' end of services benefits

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 able to be reliably measured.

End of service benefits

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.

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.

Foreign currency transactions

Transactions in foreign currencies are recorded in Qatari Riyal 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 profit or loss. Non-monetary assets and liabilities are translated at rates ruling at the date of the transaction.

4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Claims made under takaful contracts

Claims and loss adjustment expenses are charged to the statement of profit or loss of policyholders 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 statement of profit or loss of policyholders in the year of settlement.

Classification of investments

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

Impairment of tangible assets

The Company's management tests whether tangible assets have suffered impairment in accordance with accounting policies stated in note 3. The recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

Tangible assets useful lives

The Company's management determines the useful lives and related depreciation or amortization charge. The depreciation or amortization charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

Impairment of contributions receivable

The Company's management reviews periodically items classified as receivables to assess whether a provision for impairment should be recorded in the statement of profit or loss. Management estimates the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty.

Impairment of available for sale financial assets

The Company follows the guidance of IAS 39 "Financial Instruments: Recognition and measurement" to determine when an available for sale financial assets is impaired. This determination requires significant judgment. In making this judgement, the Company assesses, among other factors, whether objective evidence of impairment exists.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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

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.

5. CASH AND BANK BALANCES

For the purposes of statement of cash flows, cash and cash equivalents include cash on hand and in banks and term deposits with original maturities of three months or less. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	<u>2015</u>	<u>2014</u>
	QR.	QR.
Shareholders:		
Investment deposits (Islamic Banks)	31,525,925	300,000
Saving accounts (Islamic Banks)	11,763,722	12,302,460
Current accounts (Islamic Banks)	<u>(414,582)</u>	<u>(786,528)</u>
Total	<u>42,875,065</u>	<u>11,815,932</u>
Policyholders:		
Investment deposits (Islamic Banks)	43,762,044	83,000,000
Saving accounts (Islamic Banks)	43,431,326	39,426,890
Current accounts (Islamic Banks)	<u>18,612,140</u>	<u>6,824,040</u>
Total	<u>105,805,510</u>	<u>129,250,930</u>
Total cash and bank balances	148,680,575	141,066,862
Less: deposits with original maturity over ninety days	<u>(3,300,000)</u>	<u>(3,300,000)</u>
Total cash and cash equivalents of the year	<u>145,380,575</u>	<u>137,766,862</u>

- Investment deposits earn profit at rates ranging from 2% to 2.75 % (2014: 2% to 2.15 %).

- Saving accounts earn profit at rates ranging from 0.25% to 1.25 % (2014: 0.12% to 0.25 %).

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

6. AVAILABLE FOR SALE FINANCIAL ASSETS

	<u>2015</u>	<u>2014</u>
	<u>QR.</u>	<u>QR.</u>
Managed funds	495,426,474	421,341,842
Unquoted securities	7,500,000	7,500,000
	<u>502,926,474</u>	<u>428,841,842</u>

	<u>Policyholders</u>	<u>Shareholders</u>	<u>Total</u>
	<u>QR.</u>	<u>QR.</u>	<u>QR.</u>
Managed funds	232,645,376	288,098,754	520,744,130
Fair value reserve	(7,848,005)	(12,923,875)	(20,771,880)
Provision for Impairment	(1,760,213)	(2,785,563)	(4,545,776)
Managed funds at fair value	<u>223,037,158</u>	<u>272,389,316</u>	<u>495,426,474</u>
Unquoted securities	2,500,000	5,000,000	7,500,000
Available for sale financial assets as at December 31, 2015	<u>225,537,158</u>	<u>277,389,316</u>	<u>502,926,474</u>
Available for sale financial assets as at December 31, 2014	<u>173,736,891</u>	<u>255,104,951</u>	<u>428,841,842</u>

The fair value of equity investments pledged against the Murabaha financing taken by the Company amounted to QR 182,633,983.

The above investments of shareholders and policyholders are managed by reputed fund managers who take investment decisions on behalf of the Company.

7. RELATED PARTY DISCLOSURES

(a) *Transactions with related parties*

These represent transactions with related parties, i.e. 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 and directors of the Company and entities of which they are key management personnel. Pricing policies and terms of these transactions are approved by the Company management and are negotiated under normal commercial terms.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

7. RELATED PARTY DISCLOSURES (CONTINUED)

The following transactions were carried out with related parties:

	<u>2015</u>	<u>2014</u>
	QR	QR
<i>Takaful contribution written</i>		
<i>Qatar Islamic Bank "shareholder"</i>	86,061,517	80,383,082
<i>Others</i>	<u>31,879,262</u>	<u>35,355,660</u>
	<u>117,940,779</u>	<u>115,738,742</u>
<i>Claims Paid</i>		
<i>Qatar Islamic Bank "shareholder"</i>	27,078,956	33,786,943
<i>Others</i>	<u>8,218,284</u>	<u>11,333,251</u>
	<u>35,297,240</u>	<u>45,120,194</u>

(b) Due from related parties

	<u>2015</u>	<u>2014</u>
	QR.	QR.
Qatar Islamic Bank S.A.Q. "shareholder"	1,121,862	3,978,020
Barwa Real Estate Company S.A.Q. "other"	6,367,523	6,424,568
Q-Invest L.L.C. "other"	285,197	98,366
Qatar Insurance Company "shareholder"	1,518,062	2,565,901
Barwa Bank "other"	<u>580,644</u>	--
	<u>9,873,288</u>	<u>13,066,855</u>

(c) Due to related parties

	<u>2015</u>	<u>2014</u>
	QR.	QR.
Masraf Al Rayyan Q.S.C. "other"	3,194,099	3,313,252
Qatar Insurance Company S.A.Q. "shareholder"	--	8,463,241
Barwa Village S.P.C "other"	8,737	87,763
Masaken Al Saliya & Mesaimmer S.P.C. "other"	50,600	--
Qatar Islamic Bank "shareholder"	<u>21,221,283</u>	<u>8,563,748</u>
	<u>24,474,719</u>	<u>20,428,004</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

7. RELATED PARTY DISCLOSURES (CONTINUED)

(d) Compensation of key management personnel

	<u>2015</u>	<u>2014</u>
	QR.	QR.
Short term benefits	1,761,029	3,753,444
Board of directors remuneration	900,000	900,000
Termination benefits	217,108	435,386
	<u>2,878,137</u>	<u>5,088,830</u>

8. TAKAFUL CONTRACT LIABILITIES AND RETAKAFUL CONTRACT ASSETS

	<u>2015</u>	<u>2014</u>
	QR.	QR.
<i>Gross Takaful contract liabilities</i>		
Claims reported unsettled	108,185,945	71,314,405
Claims incurred but not reported	12,569,336	5,840,511
Unearned contributions	166,516,640	135,667,475
Total	<u>287,271,921</u>	<u>212,822,391</u>
<i>Retakafuls' share of takfaul liabilities</i>		
Claims reported unsettled	54,687,315	29,204,425
Total	<u>54,687,315</u>	<u>29,204,425</u>
<i>Net Takaful liabilities</i>		
Claims reported unsettled	53,498,630	42,109,980
Claims incurred but not reported	12,569,336	5,840,511
Unearned contributions	166,516,640	135,667,475
Total	<u>232,584,606</u>	<u>183,617,966</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

8. TAKAFUL CONTRACT LIABILITIES AND RETAKAFUL CONTRACT ASSETS (CONTINUED)

	2015		2014	
	Gross QR	Retakafuls' share QR	Net QR	Gross QR
At January 1,				
Reported claims	71,314,405	(29,204,425)	42,109,980	50,368,495
IBNR	5,840,511	--	5,840,511	3,274,494
Total	77,154,916	(29,204,425)	47,950,491	53,642,989
Movements during the year				
Reported claims (unsettled)	36,871,540	(25,482,890)	11,388,650	20,945,910
IBNR	6,728,825	--	6,728,825	2,566,017
Total	43,600,365	(25,482,890)	18,117,475	23,511,927
At December 31,				
Reported claims	108,185,945	(54,687,315)	53,498,630	71,314,405
IBNR	12,569,336	--	12,569,336	5,840,511
Total	120,755,281	(54,687,315)	66,067,966	77,154,916
			Retakafuls' share QR	Net QR
			(21,542,338)	28,826,157
			--	3,274,494
			(21,542,338)	32,100,651
			(7,662,087)	13,283,823
			--	2,566,017
			(7,662,087)	15,849,840
			(29,204,425)	42,109,980
			--	5,840,511
			(29,204,425)	47,950,491

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

9. PROPERTY AND EQUIPMENT

	Freehold land	Furniture and equipment	Computer equipment	Fixtures and fittings	Motor vehicle	Total
	QR.	QR.	QR.	QR.	QR.	QR.
Cost:						
At January 1, 2014	--	1,312,200	3,982,382	4,107,378	1,059,500	10,461,460
Additions during the year	39,435,688	296,450	307,576	507,205	795,200	41,342,119
Disposals	--	--	--	(34,000)	(699,000)	(733,000)
At December 31, 2014	39,435,688	1,608,650	4,289,958	4,580,583	1,155,700	51,070,579
Additions during the year	651,000	110,940	658,337	21,244	272,424	1,713,945
Disposals during the year	--	(4,390)	--	(503,672)	--	(508,062)
At December 31, 2015	40,086,688	1,715,200	4,948,295	4,098,155	1,428,124	52,276,462
Accumulated Depreciation:						
At January 1, 2014	--	611,082	3,357,750	2,982,422	778,668	7,729,922
Charge for the year	--	205,381	311,611	917,040	234,906	1,668,938
Disposals	--	--	--	(13,812)	(474,845)	(488,657)
At December 31, 2014	--	816,463	3,669,361	3,885,650	538,729	8,910,203
Charge for the year	--	233,603	374,792	82,740	218,616	909,751
Disposals during the year	--	(105)	--	(356,775)	--	(356,880)
At December 31, 2015	--	1,049,961	4,044,153	3,611,615	757,345	9,463,074
Carrying value :						
At December 31, 2015	40,086,688	665,239	904,142	486,540	670,779	42,813,388
At December 31, 2014	39,435,688	792,187	620,597	694,933	616,971	42,160,376

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

10. TAKAFUL AND OTHER RECEIVABLES

	<u>2015</u> QR.	<u>2014</u> QR.
Due from retakaful	17,206,696	13,014,247
Contribution receivable	41,821,461	36,616,241
Other receivables and prepayments	<u>37,326,091</u>	<u>29,267,030</u>
	<u>96,354,248</u>	<u>78,897,518</u>
	<u>2015</u> QR.	<u>2014</u> QR.
Receivables from shareholders	843,390	1,114,573
Receivables from policyholders	<u>95,510,858</u>	<u>77,782,948</u>
	<u>96,354,248</u>	<u>78,897,518</u>

11. MURABAHA FINANCE

	<u>2015</u> QR.	<u>2014</u> QR.
Balance at the beginning of year	130,720,245	200,034,638
Net movement made during the year	<u>51,913,738</u>	<u>(69,314,393)</u>
	<u>182,633,983</u>	<u>130,720,245</u>

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

	<u>2015</u> QR.	<u>2014</u> QR.
Balance at the beginning of year	28,000,000	--
Murabaha obtained during the year	--	28,000,000
Murabaha paid during the year	<u>(28,000,000)</u>	<u>--</u>
	<u>--</u>	<u>28,000,000</u>

- The Company has entered in a murabaha financing agreement with Qatar Islamic Bank, to finance the purchase of land for the new office. The financing is repayable over the period of five years. During the year, the Company settled the Murabaha financing balance.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

12. SHARE CAPITAL

	<u>Authorized, issued and fully paid up 2015</u>	<u>Authorized, issued and fully paid up 2014</u>
Share capital (QR)	<u>200,000,000</u>	<u>200,000,000</u>
Number of shares of QR 10 each	<u>20,000,000</u>	<u>20,000,000</u>

13. STATUTORY RESERVE

Legal reserve is to be computed at the higher of Qatar Commercial Companies' Law No. 5 of 2002 of the company's Articles of Association at 10% of the net profit for the year. On November 23, 2014, the Extra-Ordinary General Meeting approved the amendment of paragraph (1) Article (66) of the Articles of Association of the Company. This reserve is to be maintained until it equates 100% of the paid up capital and is not available for distribution except in circumstances specified in the Qatar Central Bank (QCB) regulations and Qatar Commercial Companies Law.

14. TAKAFUL AND OTHER LIABILITIES

	<u>2015 QR.</u>	<u>2014 QR.</u>
Due to reinsurers	11,529,267	13,065,007
Contribution payable	757,647	268,426
Provisions and other payables	<u>34,792,462</u>	<u>27,662,186</u>
	<u>47,079,376</u>	<u>40,995,619</u>
	<u>2015 QR.</u>	<u>2014 QR.</u>
Payable to shareholders	24,548,957	20,218,030
Payable to policyholders	<u>22,530,419</u>	<u>20,777,589</u>
	<u>47,079,376</u>	<u>40,995,619</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

15. DISTRIBUTABLE SURPLUS PAYABLE

	<u>2015</u>	<u>2014</u>
	QR.	QR.
Balance at January 1,	10,542,038	6,977,558
Surplus distributed during the year	6,499,447	6,713,530
Payments made during the year	<u>(1,839,505)</u>	<u>(3,149,050)</u>
Balance at December 31,	<u>15,201,980</u>	<u>10,542,038</u>

The Board of Directors have proposed to distribute 7% (2014: 7%) of contribution amounting to QR. 6,499,447 as surplus for policyholders for the year (2014: QR 6,713,530) out of the results of Takaful 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.

16. EMPLOYEES' END OF SERVICE BENEFITS

	<u>2015</u>	<u>2014</u>
	QR.	QR.
Provision at January 1,	2,088,263	1,657,094
Charge for the year	336,626	581,285
Employees' end of service benefits – paid	<u>(981,332)</u>	<u>(150,116)</u>
Provision at December 31,	<u>1,443,557</u>	<u>2,088,263</u>

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2015

7. NET UNDERWRITING RESULTS

	Marine and Aviation		Motors		Fire and general Accident		Takaful and Health		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.
gross contributions	4,045,162	3,401,710	156,390,317	125,122,011	34,000,095	26,940,258	119,325,370	99,020,626	313,760,944	254,484,605
- Takaful share of	(1,793,377)	(1,411,524)	(5,174,151)	(441,980)	(22,324,622)	(17,904,945)	(37,449,470)	(34,604,786)	(66,741,620)	(54,363,235)
gross contribution	2,251,785	1,990,186	151,216,166	124,680,031	11,675,473	9,035,313	81,875,900	64,415,840	247,019,324	200,121,370
investment in unearned	80,525	18,230	(19,501,367)	(19,624,743)	1,289,532	(1,198,059)	(12,717,855)	(15,657,024)	(30,849,165)	(36,461,596)
contribution	2,332,310	2,008,416	131,714,799	105,055,288	12,965,005	7,837,254	69,158,045	48,758,816	216,170,159	163,659,774
earned	(122,362)	(307,092)	(116,512,868)	(95,869,499)	(7,090,400)	(16,279,125)	(38,420,182)	(28,717,734)	(162,145,812)	(141,173,450)
expenses:	68,867	234,192	27,129,514	23,183,647	6,333,447	15,591,236	21,643,445	18,019,942	55,175,273	57,029,017
gross claims paid	(157,204)	6,242	(11,840,763)	(12,357,748)	(2,685,484)	(131,834)	(3,434,024)	(3,366,500)	(18,117,475)	(15,849,840)
Takaful and other	(275,005)	(161,442)	(2,903,888)	(969,900)	(1,369,980)	(699,169)	(15,434,183)	(14,517,753)	(19,983,056)	(16,348,264)
overies	(485,704)	(228,100)	(104,128,005)	(86,013,500)	(4,812,417)	(1,518,892)	(35,644,944)	(28,582,045)	(145,071,070)	(116,342,537)
investment in	1,846,606	1,780,316	27,586,794	19,041,788	8,152,588	6,318,362	33,513,101	20,176,771	71,099,089	47,317,237
standing claims and										
IR										
ommission, net										
claims incurred										
underwriting										
ults										

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

18. COMMISSION EXPENSE - NET

	2015	2014
	QR.	QR.
Profit from Retakaful	(8,540,076)	(314,236)
Commission to agents and Retakaful	28,523,132	16,662,500
	<u>19,983,056</u>	<u>16,348,264</u>

19. INVESTMENT INCOME

(a) Investment Income – Policyholders

	2015	2014
	QR.	QR.
Income from investment of policyholders	6,805,793	5,654,995
Impairment on financial assets	(1,760,213)	--
	<u>5,045,580</u>	<u>5,654,995</u>
Dividend income of policyholders	--	200,000
Income from Islamic deposits of policyholders	1,035,724	963,099
Investment expenses of policyholders	(1,480,106)	(765,472)
Net investment income	<u>4,601,198</u>	<u>6,052,622</u>
Shareholders' share in policyholders income *	<u>1,840,479</u>	<u>2,421,049</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% (2014: 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. This is captioned in the statement of profit or loss as "Mudarib share"

(b) Investment Income – Shareholders

	2015	2014
	QR.	QR.
Income from investment of shareholders	17,801,874	18,564,434
Impairment on financial assets	(2,785,563)	--
	<u>15,016,311</u>	<u>18,564,434</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

20. OTHER EXPENSES

	<u>2015</u>	<u>2014</u>
	QR.	QR.
Bank charges	589,554	380,640
Allocated expenses to policyholders*	1,528,872	--
Others	92,873	228,805
	<u>2,211,299</u>	<u>609,445</u>

*During the year, the Shari'a Board approved the allocation of Information System expense and Marketing expense to the Policyholders Fund with a ratio of (80:20).

21. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2015</u>	<u>2014</u>
	QR.	QR.
Rent	3,459,993	3,521,707
Printing and stationery	331,766	324,678
Advertisement expenses	222,084	613,205
Postage and telephone	183,996	163,774
IT support charges	200,289	798,964
Foreign travel expenses	--	117,865
Shari'a board remuneration	150,000	150,000
Board of directors' remuneration	900,000	900,000
Insurance expenses	891,016	493,557
Legal fee	93,800	129,921
Professional fee	306,000	306,040
Technical fee	1,203,693	1,017,793
Other operating expenses	1,173,079	727,601
	<u>9,115,716</u>	<u>9,265,105</u>

22. DIVIDENDS PAID

The Company has paid cash dividends of QR 20 million in 2015 (2014: QR 20 million) which pertains to dividends declared for the year ended December 31, 2014 and 2013, respectively, out of the shareholders' retained earnings.

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

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For the year ended December 31, 2015

23. COMMITMENTS AND CONTINGENCIES

The Company had the following commitments and contingent liabilities outstanding at 31 December:

	<u>2015</u>	<u>2014</u>
	QR.	QR.
Bank guarantee	<u>500,000</u>	<u>442,500</u>

24. COMMITMENTS UNDER OPERATING LEASES

The Company has entered into several lease agreements for the lease of the head office and branch offices. The rental costs in respect of these properties are accounted for as operating leases.

The future lease commitments in respect of the above land lease agreement are as follows:

	<u>2015</u>	<u>2014</u>
	QR.	QR.
Not later than 1 year	<u>3,194,558</u>	3,455,658
Later than 1 year and not longer than 5 years	<u>1,980,439</u>	6,911,136
	<u>5,174,997</u>	<u>10,366,794</u>

25. FINANCIAL INVESTMENTS FAIR VALUES

Financial instruments include deposits, cash, investment securities, receivables, payables, and certain other assets and liabilities.

The fair values of the financial assets and liabilities, with the exception of certain available-for-sale investments carried at cost, are not materially different from their carrying values.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

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

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25. FINANCIAL INVESTMENTS FAIR VALUES (CONTINUED)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

December 31, 2015	Level 1 QR.	Level 2 QR.	Level 3 QR.	Total QR.
Available for sale financial assets	41,426,959	453,999,515	--	495,426,474
	<u>41,426,959</u>	<u>453,999,515</u>	<u>--</u>	<u>495,426,474</u>
December 31, 2014	Level 1 RQ.	Level 2 RQ.	Level 3 RQ.	Total RQ.
Available for sale financial assets	--	421,341,842	--	421,341,842
	<u>--</u>	<u>421,341,842</u>	<u>--</u>	<u>421,341,842</u>

During the year ended December 31, 2015, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

26. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from 2014.

The capital structure of the Company consists of net debt (Murabaha Financing as detailed in Note 11 offset by cash and bank balances) and equity of the Company (comprising issued capital, reserves and retained earnings as disclosed in notes 12 and 13 respectively).

The Company's management reviews the capital structure of the Company on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Company has a target gearing ratio of 5% determined as the proportion of net debt to equity. The gearing ratio at December 31, 2015 of 11.4% (2014: 6.1%) (see below) was in line with the target range.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

26. CAPITAL MANAGEMENT (CONTINUED)

Gearing ratio

The gearing ratio at year end was as follows:

	<u>2015</u> QR.	<u>2014</u> QR.
Debt (i)	182,633,983	158,720,245
Cash and bank balances	<u>(148,680,575)</u>	<u>(141,066,862)</u>
Net debt	<u>33,953,408</u>	<u>17,653,383</u>
Equity (ii)	<u>297,229,752</u>	<u>287,641,318</u>
Net debt to equity ratio	<u>11.4%</u>	<u>6.1%</u>

(i) Debt is the long term debt obtained as Murabaha Financing, as detailed in note 11.

(ii) Equity includes all capital and reserves of the Policyholders and Shareholders of the Company that are managed as capital.

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of the set financial performance objectives. Key management recognizes the critical importance of having efficient and effective risk management systems in place.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors meets regularly to assess and identify the Company's risk, to review structure to ensure the appropriate quality and diversification of assets, and to ensure that underwriting and Retakaful are in line with the Company's strategy and goals. The Company's Board of Directors has overall responsibility to identify and analyses the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Capital management framework

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net operating income divided by total shareholders' equity. The Company's objectives when managing capital is:

- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing Takaful and investment contracts commensurately with the level of risk.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Capital management framework (continued)

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

The company in the normal course of its business derives its revenue mainly from assuming and managing Takaful and investments risks for profit. The Company's lines of business are mainly exposed to the following risks;

- Takaful risk,
- Retakaful risk
- Credit risk.
- Liquidity risk
- Market risks
- Equity risk

- Takaful risk

The principal risk the Company faces under takaful contracts is that the actual claims and benefits payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The Company manages the takaful risk through the careful selection and implementation of its underwriting strategy guidelines together with the adequate retakaful arrangements and proactive claims handling.

The Company principally issues general takaful contracts which constitute mainly Marine and aviation, Motor, Fire and general, and Takaful and health. The concentration of takaful risk exposure is mitigated by diversifying the risk underwritten and ensuring that such risks are across a large portfolio in terms of type, level of insured benefits, amount of risk and industry.

The Company, in the normal course of business, in order to minimize financial exposure arising from large claims, enters into contracts with other parties for retakaful purposes. Such retakaful 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 retakaful is affected under treaty, facultative and excess-of-loss retakaful contracts.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the retakaful contracts.

Although the Company has retakaful arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any Retakaful is unable to meet its obligations assumed under such retakaful agreements. The Company's placement of retakaful is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single retakaful contract.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Capital management framework (continued)

- Takaful risk (continued)

The Company has in place strict claim review to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

- Key assumptions-Takaful risk

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 one-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 estimated. Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

- Sensitivities

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

Claims development:

The Company maintains strong reserves in respect of its Takaful 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.

- Retakaful 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 retakaful purposes. Such retakaful 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 affected under treaty, facultative and excess-of-loss retakaful contracts.

To minimise its exposure to significant losses from retakaful 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 agencies.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Capital management framework (continued)

- Retakaful risk (continued)

Retakaful 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 Retakaful to the extent that the reinsurer fails to meet the obligations under the retakaful agreements.

- Credit risk

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

A credit risk policy setting out the assessment and determination of what constitutes credit risk for the Company has been established also policies and procedures are in place to mitigate the Company's exposure to credit risk:

Compliance with the policy is monitored. Any exposures and breaches are regularly reviewed.

- Age analysis of financial assets

December 31, 2015

	< 30 days QR.	31 to 60 days QR.	61 to 90 days QR.	91 to above 120 days QR.	Total QR.
Cash in banks	144,197,896	--	--	3,300,000	147,497,896
Available for sale financial assets	--	--	--	502,926,474	502,926,474
Due from related parties	--	--	9,873,288	--	9,873,288
Takaful and other receivables	--	--	95,510,858	--	95,510,858
Retakaful contract assets	--	--	--	54,687,315	54,687,315
Total	144,197,896	--	105,384,146	560,913,789	810,495,831

December 31, 2014

	< 30 days QR.	31 to 60 days QR.	61 to 90 days QR.	91 to above 120 days QR.	Total QR.
Cash in banks	137,766,862	--	--	3,300,000	141,066,862
Available for sale financial assets	--	--	--	428,841,842	428,841,842
Due from related parties	--	--	13,066,855	--	13,066,855
Takaful and other receivables	--	--	77,897,518	--	77,897,518
Retakaful contract assets	--	--	--	29,204,425	29,204,425
Total	137,766,862	--	90,964,373	461,346,267	690,077,502

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Regulatory framework (continued)

- Liquidity risk

Liquidity risk is the risk that the Company 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.

- Maturity profiles

The table below summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining undiscounted contractual obligations, including interest payable and receivable. For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognized insurance liabilities. Unearned premiums and the Retakaful share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

	Up to a year QR.	1 to 5 years QR.	Total QR.
December 31, 2015			
<i>Financial assets</i>			
Available for sale financial assets	502,926,474	--	502,926,474
Due from related parties	9,873,288	--	9,873,288
Takaful and other receivables	95,510,858	--	95,510,858
Retakaful contract assets	54,687,315	--	54,687,315
Due from policyholders	43,839,788	--	43,839,788
Cash and cash equivalents	148,680,575	--	148,680,575
Total	855,518,298	--	855,518,298
	Up to a year QR.	1 to 5 years QR.	Total QR.
December 31, 2015			
<i>Financial liabilities</i>			
Due to related parties	24,474,719	--	24,474,719
Takaful contract liabilities	287,271,921	--	287,271,921
Murabaha finance	182,633,983	--	182,633,983
Distributable surplus	15,201,980	--	15,201,980
Due to shareholders	43,839,788	--	43,839,788
Takaful payables	47,079,376	--	47,079,376
Total	600,501,767	--	600,501,767

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27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Regulatory framework (continued)

- Liquidity risk (continued)

	Up to a year	1 to 5 years	Total
	QR.	QR.	QR.
December 31, 2014			
<i>Financial assets</i>			
Available for sale financial assets	428,841,842	--	428,841,842
Due from related parties	13,066,855	--	13,066,855
Takaful and other receivables	78,897,518	--	78,897,518
Retakaful contract assets	29,204,425	--	29,204,425
Due from policyholders	92,176,318	--	92,176,318
Cash and cash equivalents	141,066,862	--	141,066,862
Total	<u>783,253,820</u>	--	<u>783,253,820</u>
	Up to a year	1 to 5 years	Total
	QR.	QR.	QR.
December 31, 2014			
<i>Financial liabilities</i>			
Due to related parties	20,428,004	--	20,428,004
Takaful contract liabilities	212,822,391	--	212,822,391
Murabaha finance	130,720,245	28,000,000	158,720,245
Distributable surplus	10,542,038	--	10,542,038
Due to shareholders	92,176,318	--	92,176,318
Takaful payables	13,333,433	--	13,333,433
Total	<u>480,022,429</u>	<u>28,000,000</u>	<u>508,022,429</u>

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in international and local equity and bond markets. In addition, The Company actively monitors the key factors that affect stock and bond market movements, including analysis of the operational and financial performance of investees.

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NOTES TO THE FINANCIAL STATEMENTS

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27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Regulatory framework (continued)

Market risk (continued)

i. Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Qatari Riyal is effectively pegged to the United States dollar and thus currency risk occurs only in respect of currencies other than the United States Dollar. The Company's exposure to currency risk is minimal, since most of the transactions are either in Qatari Riyals or in US Dollars.

ii. Profit rate risk

The Company does not expose to interest rate risk as the Company does not have any interest sensitive financial instruments.

Equity price risk

The Company is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Company does not actively trade these investments.

Equity price sensitivity analysis

If equity prices had been 5% higher/lower, profit for the year ended December 31, 2015 would have been unaffected as the equity investments are classified as available-for-sale and no investments were disposed of or impaired; and other comprehensive income for the year ended December 31, 2015 would increase / decrease by QR. 1,003,095 (2014: increase / decrease by QR. 1,220,975) as a result of the changes in fair value of available-for-sale shares.

28. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorised for issue on January 19, 2016.