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

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

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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended December 31, 2018

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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 Audit of the Financial Statements

Opinion

We have audited the 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, 2018 and the related statements of profit or loss and changes in policyholders' equity, profit or loss and other comprehensive income of shareholders, changes in shareholders' equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Financial Accounting Standards ("FAS") issued by Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") and with the Shari'a Rules and Principles as determined by the Shari'a Board of the Company.

Basis for Opinion

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions ("ASIFI") issued by AAOIFI. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Company's financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with FAS issued by AAOIFI, including the Company's undertaking to operate in accordance with Islamic Shari'a, 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.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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. The financial information included in the Board of Directors' report addressed to the General Assembly is in agreement with the books and records of the Company. 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 financial position or performance.

Doha - Qatar
February 25, 2019

For **Deloitte & Touche**
Qatar Branch

Walid Slim
Partner
License No. 319
QFMA Auditor License No. 120156

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

STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

	Notes	2018	2017
		QR.	QR.
Policyholders' assets			
Cash and bank balances	5	**96,402,098**	88,624,013
Investments at fair value through equity	6	**337,177,564**	343,871,035
Due from related parties	7 (b)	**15,774,415**	17,515,799
Retakaful contract assets	8	**96,894,234**	82,544,413
Takaful and other receivables	10	**125,328,751**	129,835,823
Total policyholders' assets		**671,577,062**	662,391,083
Shareholders' assets			
Cash and bank balances	5	**12,150,358**	56,345,143
Investments at fair value through equity	6	**356,638,912**	323,971,205
Prepayments and other receivables	10	**1,854,667**	2,402,334
Due from policyholders		**65,507,885**	50,826,000
Property and equipment	9	**88,763,040**	58,942,481
Total shareholders' assets		**524,914,862**	492,487,163
Total assets		**1,196,491,924**	1,154,878,246
Liabilities and surplus of policyholders			
Takaful contract liabilities	8	**361,646,516**	353,508,776
Due to related parties	7 (c)	**13,697,877**	25,410,961
Takaful and other payables	14	**38,575,362**	37,665,102
Murabaha finance	11	**136,296,270**	150,054,791
Due to shareholders		**65,507,885**	50,826,000
Distributable surplus payable	15	**30,313,124**	25,875,088
Policyholders' equity		**25,540,028**	19,050,365
Total liabilities and surplus of policyholders		**671,577,062**	662,391,083
Shareholders' liabilities			
Provisions and other payables	14	**29,254,143**	24,917,162
Due to related parties	7 (c)	**4,015,098**	2,127,109
Murabaha finance	11	**138,705,573**	130,920,690
Employees' end of service benefits	17	**1,832,919**	1,603,326
Total liabilities of shareholders		**173,807,733**	159,568,287
Shareholders' equity			
Share capital	12	**200,000,000**	200,000,000
Legal reserve	13	**100,000,000**	22,387,577
Fair value reserve		**(13,830,849)**	(10,201,589)
Retained earnings		**64,937,978**	120,732,888
Total shareholders' equity		**351,107,129**	332,918,876
Total shareholders' liabilities and equity		**524,914,862**	492,487,163
Total liabilities, surplus of policyholders and shareholders' equity		**1,196,491,924**	1,154,878,246

These financial statements were approved by the Board of Directors and signed on its behalf on February 3, 2019 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, 2018

	Notes	2018 QR.	2017 QR.
Gross contributions	18	**332,094,258**	324,202,399
Re-Takaful share	18	**(43,952,554)**	(58,675,601)
Net contributions		**288,141,704**	265,526,798
Movement in unearned contribution – net	18	**6,317,639**	(7,086,520)
Net earned contributions		**294,459,343**	258,440,278
Gross claims paid	18	**(232,952,382)**	(218,710,011)
Re-Takaful and other recoveries	18	**53,144,875**	65,591,555
Movement in outstanding claims and IBNR – net	8, 18	**(105,561)**	2,666,170
Commission expense, net	18, 19	**(37,462,596)**	(36,794,136)
Net takaful expenses		**(217,375,664)**	(187,246,422)
Surplus from Takaful operations	18	**77,083,679**	71,193,856
Investment income	20 (a)	**8,782,253**	10,216,927
Investment expenses	20 (a)	**(2,778,272)**	(2,543,715)
Mudarib share	20 (a)	**(2,401,593)**	(2,869,285)
Wakala fees		**(61,419,623)**	(62,421,113)
Impairment of financial assets	20 (a)	--	(500,000)
Other income		**2,739,755**	1,315,313
Other expenses	21	**(1,891,802)**	(4,939,087)
Total surplus for the year		**20,114,397**	9,452,896

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN POLICYHOLDERS' EQUITY

For the year ended December 31, 2018

	Note	Retained surplus QR.	Equalization reserve QR.	Total QR.
Balance at January 1, 2017		21,046,586	--	21,046,586
Surplus for the year		9,452,896	--	9,452,896
Surplus declared during the year	15	(8,419,999)	--	(8,419,999)
Net change in fair value of investment at fair value through equity		(3,029,118)	--	(3,029,118)
Balance at December 31, 2017		19,050,365	--	19,050,365
Surplus for the year		20,114,397	--	20,114,397
Surplus declared during the year		(8,895,524)	--	(8,895,524)
Transfer to equalization reserve during the year	16	(10,000,000)	10,000,000	--
Net change in fair value of investment at fair value through equity		(4,729,210)	--	(4,729,210)
Balance at December 31, 2018		**15,540,028**	**10,000,000**	**25,540,028**

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, 2018

	Notes	2018 QR.	2017 QR.
Income			
Income from shareholders' investments	20 (b)	**9,130,614**	8,723,984
Wakala fee		**61,419,623**	62,421,113
Mudarib share	20 (a)	**2,401,593**	2,869,285
Other income		**30,569**	52,366
Total income		**72,982,399**	74,066,748
Staff costs		**(18,155,387)**	(16,870,013)
Depreciation of property and equipment	9	**(1,009,932)**	(970,178)
General and administrative expenses	22	**(10,241,029)**	(9,531,522)
Impairment of financial assets	20 (b)	**--**	(500,000)
Finance costs		**(52,191)**	(328,704)
Investment expenses		**(1,706,347)**	(1,700,467)
Total expenses		**(31,164,886)**	(29,900,884)
Profit for the year		**41,817,513**	44,165,864
Other comprehensive income			
Item that may be reclassified subsequently to statement of profit or loss:			
Net change in fair values of investment at fair value through equity		**(3,629,260)**	(2,169,278)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**38,188,253**	41,996,586

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2018

	Share Capital	Legal reserve	Fair value reserve	Retained earnings	Total
	QR.	QR.	QR.	QR.	QR.
Balance at January 1, 2017	200,000,000	17,970,991	(8,032,311)	100,983,610	310,922,290
Total comprehensive income for the year	--	--	(2,169,278)	44,165,864	41,996,586
Dividends paid	--	--	--	(20,000,000)	(20,000,000)
Transfer to legal reserve	--	4,416,586	--	(4,416,586)	--
Balance at December 31, 2017	200,000,000	22,387,577	(10,201,589)	120,732,888	332,918,876
Total comprehensive income for the year	--	--	(3,629,260)	41,817,513	38,188,253
Dividends paid	--	--	--	(20,000,000)	(20,000,000)
Transfer to legal reserve	--	77,612,423	--	(77,612,423)	--
Balance at December 31, 2018	**200,000,000**	**100,000,000**	**(13,830,849)**	**64,937,978**	**351,107,129**

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

STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

	Notes	2018	2017
		QR.	QR.
OPERATING ACTIVITIES			
Shareholders' profit for the year		**41,817,513**	44,165,864
Policyholders' surplus for the year		**20,114,397**	9,452,896
Adjustments for:			
Depreciation for property and equipment	9	**1,009,932**	970,178
Realized gain from investments		**15,605,957**	(16,959,656)
Impairment on financial assets	20	**--**	1,000,000
Gain on disposal of property and equipment		**(14,489)**	--
Provision for employees' end of service benefits	17	**323,582**	403,865
Operating profit before working capital changes		**78,856,892**	39,033,147
Change in due from related parties		**1,741,384**	(3,481,573)
Change in prepayments, Takaful and other receivables		**5,054,739**	10,116,294
Change in due to related parties		**(9,825,095)**	9,735,722
Change in net Takaful contract liabilities		**(6,212,081)**	4,420,350
Change in provisions, Takaful and other payables		**5,247,241**	(4,367,272)
Cash flow generated from operating activities		**74,863,080**	55,456,668
End of service benefits paid	17	**(93,989)**	(344,060)
Net cash flows generated from operating activities		**74,769,091**	55,112,608
INVESTING ACTIVITIES			
Acquisition of property and equipment	9	**(30,857,362)**	(10,819,212)
Proceeds from sale of property and equipment		**41,360**	--
Net movement in investments		**(49,938,663)**	(101,256,206)
Net cash flows used in investing activities		**(80,754,665)**	(112,075,418)
FINANCING ACTIVITIES			
Policyholders' surplus paid during the year	15	**(4,457,488)**	(3,074,119)
Dividends paid	23	**(20,000,000)**	(20,000,000)
Murabaha finance		**(5,973,638)**	101,732,648
Net cash flows (used in) / generated from financing activities		**(30,431,126)**	78,658,529
(Decrease) / Increase in cash and cash equivalents		**(36,416,700)**	21,695,719
Cash and cash equivalents at the beginning of the year		**144,969,156**	123,273,437
Cash and cash equivalents at the end of the year	5	**108,552,456**	144,969,156

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

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), Shari'a Rules and Principles as determined by the Shari'a board of the Company and applicable provisions of Qatar Commercial Companies' Law. 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") issued by International Accounting Standards Board (IASB).

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 and presentation 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 profit or loss 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Re-takaful share of gross contributions

Retakaful share of gross 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 gross 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" for policyholders and "Provisions and other payables" for shareholders 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 profit or loss 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.

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 and commission expense 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 the independent actuary.
- 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, investments at fair value through equity 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.

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"), investments at fair value through equity 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.

Investments at fair value through equity - Quoted

The Company's investments in equity securities are classified as investments at fair value through equity 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.

Investments at fair value through equity - 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 bank balances

Cash and bank balances 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 investments at fair value through equity, 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 investments at fair value through equity 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 investments at fair value through equity, 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 investments at fair value through equity - 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 investments at fair value through equity - 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.

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 impairment losses, if any. 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 equipment	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.

Freehold land and properties under construction are not depreciated.

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.

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.

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 investments at fair value through equity 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 investments at fair value through equity.

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 investments at fair value through equity
The Company follows the guidance of IAS 39 "Financial Instruments: Recognition and measurement" to determine when an investments at fair value through equity is impaired. This determination requires significant judgment. In making this judgement, the Company assesses, among other factors, whether objective evidence of impairment exists.

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.

4.1 New and revised FAS and IFRS in issue but not yet effective

The Company has not yet adopted the following new and revised FAS and IFRS that have been issued but are not yet effective:

IFRS 17 "Insurance contracts" with effect from January 1, 2021

IFRS 17 provides guidance on accounting for insurance contracts. For general insurance contracts, IFRS 17 introduces new accounting estimates such as mandatory discounting of loss reserves expected to be paid in more than one year, risk adjustment and related confidence level equivalent disclosure. IFRS 17 is expected to have material impact on the long-term policies written by the Company as well as revenue recognition under insurance contracts. The Company is in the process of performing an impact analysis for it insurance products as well as documentation of changes to the Company's accounting policies. It is not practical to disclose the impact of applying the IFRS 17 on these financial statements due to technical complexity. The Company has no plans to early adopt IFRS 17 prior to its mandatory application date.

FAS 30 "Impairment, Credit Losses and Onerous Commitments" with effect from January 1, 2020

AAOIFI's Accounting Board (AAB) issued FAS 30 "Impairment, Credit Losses and Onerous Commitments" in November 2017 and will issue FAS 35 "Risk Reserves" which will supersede FAS 11 "Provisions and Reserves". The AAB decided that the approach for applying the impairment and credit losses to various assets and balances will be based on different categories according to their nature. It was concluded that the impairment and credit losses approaches taken by the generally accepted accounting principles recently set by various accounting standard setters and regulatory standard setters, as well as, the regulators, cannot be applicable on Islamic finance transactions in a similar manner. However, the outcome of this standard is aligned in similar to IFRS. FAS 30 introduces the concept of expected credit losses on financing contracts and other asset classes primarily exposed to credit risk and the provision/ impairment model for investments and other assets. It also supersedes certain sections of FAS 25, "Investment in Sukuk", shares and similar instruments which relate to impairment and replaces FAS 11. However, the standard does not address any classification and initial recognition of assets and exposures. The requirements of classification and initial recognition for a specific Islamic financing contract, which is currently prescribed under respective FASs would continue to apply.

FAS 30 "Impairment, Credit Losses and Onerous Commitments" with effect from January 1, 2020 (continued)

FAS 30 classifies assets and exposures into three categories based on the nature of risks involved (i.e. credit risk and other risks) and prescribes three approaches for assessing losses for each of these categories of assets 1) Credit Losses approach, 2) Impairment approach and 3) Net Realizable Value approach. The Company is in the process of assessing the impact of FAS 30 which is only effective from January 1, 2020. The Company is currently evaluating the impact of this standard.

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

4.1 New and revised FAS and IFRS in issue but not yet effective (continued)

FAS 28 "Murabaha and Other Deferred Payment Sales with" effect from January 1, 2019

AAOIFI has issued FAS 28 Murabaha and Other Deferred Payment Sales in 2017. FAS 28 supersedes the earlier FAS No. 2 "Murabaha and Murabaha to the Purchase Orderer" and FAS No. 20 "Deferred Payment Sale". The objective of this standard is to prescribe the appropriate accounting and reporting principles for recognition, measurement and disclosures in relation to Murabaha and other deferred payment sales transactions for the sellers and buyers, for such transactions. This standard shall be effective for the financial periods beginning on or after January 1, 2019 with early adoption permitted.

The management is in the process of finalising the impact of this standard.

FAS 31 Investment Agency (Al-Wakala Bi Al-lstithmar) with effect from January 1, 2020

AAOIFI has issued FAS 31 Investment Agency (Al-Wakala Bi Al-lstithmar) in 2018. The objective of this standard is to establish the principles of accounting and financial reporting for the investment agency (Al-Wakala Bi Al- Istithmar) instruments and the related assets and obligations from both the principal (investor) and the agent perspectives. This standard shall be effective for the financial periods beginning on or after January 1, 2020 with early adoption permitted.

FAS 33 "Investments in Sukuk, shares and similar instruments" with effect from January 1, 2020

AAOIFI's Accounting Board (AAB) issued FAS 33 "Investments in Sukuk, shares and similar instruments" supersedes the AAOIFI's Accounting Board (AAB) issued FAS 25 "Investment in Sukuk, Shares and Similar Instruments" in December 2018. The standard defines the key types of instruments of Sharia' compliant investments and defines the primary accounting treatments commensurate to the characteristics and business model of the institution under which the investments are made, managed and held.

FAS 35 Risk Reserves with effect from January 1, 2021

AAOIFI has issued FAS 35 "Risk Reserves" in 2018. This standard along with FAS 30 'Impairment, Credit losses and onerous commitments' supersede the earlier FAS 11 "Provisions and reserves". The objective of this standard is to establish the principles of accounting and financial reporting for risk reserves established to mitigate various risks faced by stakeholders, mainly the profit and loss taking investors, of Islamic financial institutions (IFIs/ the institutions). This standard shall be effective for the financial periods beginning on or after January 1, 2021 with early adoption permitted only if the Group early adopts FAS 30 "Impairment, Credit losses and onerous commitments".

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:

	2018	2017
	QR.	QR.
Shareholders:		
Investment deposits (Islamic banks)	**10,304,518**	45,649,053
Saving accounts (Islamic banks)	**1,793,681**	10,635,122
Current accounts (Islamic banks)	**52,159**	60,968
Total	**12,150,358**	56,345,143
Policyholders:		
Investment deposits (Islamic banks)	**48,050,034**	40,592,741
Saving accounts (Islamic banks)	**45,338,347**	41,085,662
Current accounts (Islamic banks)	**3,013,717**	6,945,610
Total	**96,402,098**	88,624,013
Total cash and bank balances	**108,552,456**	144,969,156
Less: deposits with original maturity over ninety days	**(3,300,000)**	(3,300,000)
Total cash and cash equivalents of the year	**105,252,456**	141,669,156

- Investment deposits earn profit at rates ranging from 2.10% to 4.25% (2017: 2.10% to 4.00%).

- Saving accounts earn profit at rates ranging from 0.90% to 1.00 % (2017: 0.80% to 1.00%).

6. INVESTMENT AT FAIR VALUE THROUGH EQUITY

	2018	2017
	QR.	QR.
Managed funds	**689,316,476**	663,342,240
Unquoted securities	**4,500,000**	4,500,000
	693,816,476	667,842,240

	Policyholders	**Shareholders**	**Total**
	QR.	**QR.**	**QR.**
Managed funds	351,067,342	370,755,324	721,822,666
Fair value reserve	(13,129,565)	(13,830,849)	(26,960,414)
Accumulated provision for impairment (i)	(2,260,213)	(3,285,563)	(5,545,776)
Managed funds at fair value	335,677,564	353,638,912	689,316,476
Unquoted securities	1,500,000	3,000,000	4,500,000
Investments at fair value through equity as at December 31, 2018	**337,177,564**	**356,638,912**	**693,816,476**
Investments at fair value through equity as at December 31, 2017	343,871,035	323,971,205	667,842,240

(i) For the year ended December 31, 2017, the Company recognized impairment loss totalling QR. 1,000,000. The Company did not recognize impairment loss during the year.

The fair value of equity investments pledged against the Murabaha financing taken by the Company amounted to QR. 275,001,843 (2017: QR 280,975,481).

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.

7. RELATED PARTY DISCLOSURES (CONTINUED)

The following transactions were carried out with related parties:

	2018	2017
	QR	QR
Takaful contribution written		
Qatar Islamic Bank "shareholder"	**107,171,743**	89,852,257
Others	**23,561,496**	25,254,932
	130,733,239	115,107,189
Claims Paid		
Qatar Islamic Bank "shareholder"	**23,281,550**	26,133,599
Others	**11,623,550**	6,781,832
	34,905,100	32,915,431

(b) Due from related parties

	2018	2017
	QR	QR
Qatar Islamic Bank S.A.Q. "shareholder"	**4,878,873**	3,767,753
Barwa Real Estate Company S.A.Q. "other"	**1,047,064**	4,643,419
Q-Invest L.L.C. "other"	**548,194**	251,213
Qatar Insurance Company "shareholder"	**7,756,955**	6,109,693
Masraf Al Rayyan Q.S.C. "other"	**1,543,329**	2,743,721
	15,774,415	17,515,799

(c) Due to related parties

	2018	2017
	QR	QR
Qatar Insurance Company "shareholder"	**9,157,663**	5,151,977
Qatar Islamic Bank "shareholder"	**8,555,312**	22,386,093
	17,712,975	27,538,070

7. RELATED PARTY DISCLOSURES (CONTINUED)

(d) Compensation of key management personnel

	2018	2017
	QR.	QR.
Short term benefits	**2,572,904**	2,327,920
Board of directors remuneration	**900,000**	900,000
Termination benefits	**--**	195,000
	3,472,904	3,422,920

8. TAKAFUL CONTRACT LIABILITIES AND RETAKAFUL CONTRACT ASSETS

	2018	2017
	QR.	QR.
Gross Takaful contract liabilities		
Claims reported unsettled	**132,490,505**	112,870,302
Claims incurred but not reported	**27,483,647**	29,514,766
Unearned contributions	**201,672,364**	211,123,708
Total	**361,646,516**	353,508,776
Retakaful share of takaful liabilities		
Claims reported unsettled	**74,739,688**	53,778,783
Claims incurred but not reported	**7,748,210**	11,225,592
Unearned contributions	**14,406,336**	17,540,038
Total	**96,894,234**	82,544,413
Net Takaful liabilities		
Claims reported unsettled	**57,750,817**	59,091,519
Claims incurred but not reported	**19,735,437**	18,289,174
Unearned contributions	**187,266,028**	193,583,670
Total	**264,752,282**	270,964,363

During the year, the Company has changed its accounting estimate for its unearned contributions which resulted to a decrease of QR. 6.97 million.

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

	2018			2017		
	Gross	**Retakafuls' share**	**Net**	Gross	Retakafuls' share	Net
	QR	**QR**	**QR**	QR	QR	QR
At January 1,						
Reported claims	**112,870,302**	**(53,778,783)**	**59,091,519**	110,446,873	(46,856,893)	63,589,980
IBNR	**29,514,766**	**(11,225,592)**	**18,289,174**	27,880,685	(11,423,802)	16,456,883
Total	**142,385,068**	**(65,004,375)**	**77,380,693**	138,327,558	(58,280,695)	80,046,863
Movements during the year						
Reported claims (unsettled)	**19,620,203**	**(20,960,905)**	**(1,340,702)**	2,423,429	(6,921,890)	(4,498,461)
IBNR	**(2,031,119)**	**3,477,382**	**1,446,263**	1,634,081	198,210	1,832,291
Total	**17,589,084**	**(17,483,523)**	**105,561**	4,057,510	(6,723,680)	(2,666,170)
At December 31,						
Reported claims	**132,490,505**	**(74,739,688)**	**57,750,817**	112,870,302	(53,778,783)	59,091,519
IBNR	**27,483,647**	**(7,748,210)**	**19,735,437**	29,514,766	(11,225,592)	18,289,174
Total	**159,974,152**	**(82,487,898)**	**77,486,254**	142,385,068	(65,004,375)	77,380,693

9. PROPERTY AND EQUIPMENT

	Freehold land	Construction work-in-progress	Furniture and equipment	Computer equipment	Fixtures and fittings	Motor vehicle	Total
	QR.		QR.	QR.	QR.	QR.	QR.
Cost:							
At January 1, 2017	39,746,218	7,177,683	1,775,621	5,702,366	4,131,103	905,624	59,438,615
Additions during the year	--	10,002,501	34,088	304,623	198,000	280,000	10,819,212
Disposals	--	--	--	--	--	--	--
At December 31, 2017	39,746,218	17,180,184	1,809,709	6,006,989	4,329,103	1,185,624	70,257,827
Additions during the year	--	30,111,151	104,191	376,490	6,530	259,000	30,857,362
Disposals	--	--	--	--	--	(57,500)	(57,500)
At December 31, 2018	39,746,218	47,291,335	1,913,900	6,383,479	4,335,633	1,387,124	101,057,689
Accumulated Depreciation:							
At January 1, 2017	--	--	1,300,746	4,672,919	3,697,433	674,070	10,345,168
Charge for the year	--	--	127,348	611,708	85,308	145,814	970,178
Reclassifications during the year	--	--	--	--	138,022	(138,022)	--
At December 31, 2017	--	--	1,428,094	5,284,627	3,920,763	681,862	11,315,346
Charge for the year	--	--	141,538	560,380	119,006	189,008	1,009,932
Disposals	--	--	--	--	--	(30,629)	(30,629)
At December 31, 2018	--	--	1,569,632	5,845,007	4,039,769	840,241	12,294,649
Carrying value :							
At December 31, 2018	**39,746,218**	**47,291,335**	**344,268**	**538,472**	**295,864**	**546,883**	**88,763,040**
At December 31, 2017	39,746,218	17,180,184	381,615	722,362	408,340	503,762	58,942,481

10. PREPAYMENTS, TAKAFUL AND OTHER RECEIVABLES

	2018	2017
	QR.	QR.
Due from retakaful	27,010,119	29,818,495
Contribution receivable	57,875,126	64,296,244
Other receivables and prepayments	42,298,173	38,123,418
	127,183,418	132,238,157

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

	2018	2017
	QR.	QR.
Shareholders receivables	1,854,667	2,402,334
Policyholders receivables	125,328,751	129,835,823
	127,183,418	132,238,157

11. MURABAHA FINANCE

	2018	2017
	QR.	QR.
Balance at the beginning of year	280,975,481	179,242,833
Net movement during the year	(5,973,638)	101,732,648
	275,001,843	280,975,481

- 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.

12. SHARE CAPITAL

	Authorized, issued and fully paid up 2018	Authorized, issued and fully paid up 2017
Share capital (QR.)	200,000,000	200,000,000
Number of shares of QR. 10 each	20,000,000	20,000,000

13. STATUTORY RESERVE

Legal reserve is computed in accordance with the provisions of the Qatar Central Bank (QCB), Qatar Commercial Companies' Law and the company's Articles of Association at 10% of the net profit of shareholders for the year. On November 23, 2015, 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. PROVISIONS, TAKAFUL AND OTHER PAYABLES

	2018	2017
	QR.	QR.
Due to retakaful	**9,412,238**	5,422,822
Contribution payable	**3,460,973**	1,013,947
Provisions and other payables	**54,956,294**	56,145,495
	67,829,505	62,582,264

	2018	2017
	QR.	QR.
Shareholders payable	**29,254,143**	24,917,162
Policyholders payable	**38,575,362**	37,665,102
	67,829,505	62,582,264

15. DISTRIBUTABLE SURPLUS PAYABLE

	2018	2017
	QR.	QR.
Balance at January 1,	**25,875,088**	20,529,208
Surplus declared during the year	**8,895,524**	8,419,999
Payments made during the year	**(4,457,488)**	(3,074,119)
Balance at December 31,	**30,313,124**	25,875,088

The Board of Directors have proposed to distribute 7% (2017: 7%) portion of gross contribution amounting to QR. 8,895,524 as surplus for policyholders for the year (2017: QR. 8,419,999) 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 incurred claims during the financial year.

16. EQUALIZATION RESERVE

On October 30, 2018, the Shari'a Supervisory Board and Board of Directors approved to create equalization reserve to cover any unexpected taxation impact or any unexpected policyholder expenses.

17. EMPLOYEES' END OF SERVICE BENEFITS

	2018	2015
	QR.	QR.
Provision at January 1,	**1,603,326**	1,543,521
Charge for the year	**323,582**	403,865
Employees' end of service benefits – paid	**(93,989)**	(344,060)
Provision at December 31,	**1,832,919**	1,603,326

18. NET UNDERWRITING RESULTS

	Marine and Aviation		Motors		Fire and General Accident		Takaful and Health		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	QR.	QR.	**QR.**	QR.	**QR.**	QR.	**QR.**	QR.	**QR.**	QR.
Gross contributions	**2,430,725**	3,148,872	**149,291,233**	157,299,420	**35,901,796**	37,694,286	**144,470,504**	126,059,821	**332,094,258**	324,202,399
Re-Takaful share	**(1,383,791)**	(1,770,824)	**(1,129,287)**	(2,407,442)	**(26,767,375)**	(27,573,604)	**(14,672,101)**	(26,923,731)	**(43,952,554)**	(58,675,601)
Net contributions	**1,046,934**	1,378,048	**148,161,946**	154,891,978	**9,134,421**	10,120,682	**129,798,403**	99,136,090	**288,141,704**	265,526,798
Movement in unearned contribution	**163,388**	52,158	**17,991,105**	(4,195,289)	**938,420**	(1,550,253)	**(12,775,274)**	(1,393,136)	**6,317,639**	(7,086,520)
Net earned contributions	**1,210,322**	1,430,206	**166,153,051**	150,696,689	**10,072,841**	8,570,429	**117,023,129**	97,742,954	**294,459,343**	258,440,278
Expenses:										
Gross claims paid	**(325,611)**	(2,299,955)	**(149,919,407)**	(144,583,494)	**(6,947,997)**	(24,288,068)	**(75,759,367)**	(47,538,494)	**(232,952,382)**	(218,710,011)
Re-Takaful and other recoveries	**126,883**	1,611,242	**32,653,911**	31,699,683	**4,741,994**	21,791,769	**15,622,087**	10,488,861	**53,144,875**	65,591,555
Movement in outstanding claims and IBNR	**(956,135)**	487,041	**4,040,881**	7,314,393	**(2,930,574)**	(1,216,824)	**(259,733)**	(3,918,440)	**(105,561)**	2,666,170
Commission expense, net	**311,196**	366,297	**(15,234,149)**	(15,486,226)	**1,589,158**	1,640,226	**(24,128,801)**	(23,314,433)	**(37,462,596)**	(36,794,136)
Net takaful expenses	**(843,667)**	164,625	**(128,458,764)**	(121,055,644)	**(3,547,419)**	(2,072,897)	**(84,525,814)**	(64,282,506)	**(217,375,664)**	(187,246,422)
Surplus from takaful operations	**366,655**	1,594,831	**37,694,287**	29,641,045	**6,525,422**	6,497,532	**32,497,315**	33,460,448	**77,083,679**	71,193,856

19. COMMISSION EXPENSE - NET

	2018	2017
	QR.	QR.
Profit from retakaful	**(4,642,771)**	(5,528,941)
Commission to agents and retakaful	**42,105,367**	42,323,077
	37,462,596	36,794,136

20. INVESTMENT INCOME

(a) *Investment Income – Policyholders*

	2018	2017
	QR.	QR.
Income from investment of policyholders	**7,442,849**	9,271,980
Impairment on financial assets	**--**	(500,000)
	7,442,849	8,771,980
Income from Islamic deposits of policyholders	**1,339,404**	944,947
Investment expenses of policyholders	**(2,778,272)**	(2,543,715)
Net investment income	**6,003,981**	7,173,212
Shareholders' share in policyholders' income *	**2,401,593**	2,869,285

* This represents management fee payable to the shareholders by the policyholders for managing the investments. The fees are calculated at a rate of 40% (2017: 40%) of the net investment 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*

	2018	2017
	QR.	QR.
Income from investment of shareholders	**9,130,614**	8,723,984
Impairment on financial assets	**--**	(500,000)
	9,130,614	8,223,984

21. OTHER EXPENSES

	2018	2017
	QR.	QR.
Bank charges	900,686	882,840
Allocated expenses to policyholders	776,367	3,805,170
Others	214,749	251,077
	1,891,802	4,939,087

22. GENERAL AND ADMINISTRATIVE EXPENSES

	2018	2017
	QR.	QR.
Rent	2,924,992	3,440,259
Printing and stationery	287,075	214,102
Advertisement expenses	46,700	263,690
Postage and telephone	524,951	478,489
IT charges	1,379,692	175,318
Foreign travel expenses	31,680	3,000
Shari'a board remuneration	150,000	150,000
Board of directors' remuneration	900,000	900,000
Insurance expenses	1,297,845	1,251,078
Legal fee	271,230	156,293
Professional fee	280,221	--
Technical fee	1,072,242	1,132,458
Other operating expenses (i)	1,074,401	1,366,835
	10,241,029	9,531,522

(i) Other operating expenses pertain to repairs and maintenance, entertainment, subscription fees and other expenses.

23. DIVIDENDS PAID

The Company has paid cash dividends of QR. 20 million in 2018 (2017: QR. 20 million) which pertains to dividends declared for the year ended December 31, 2017 and 2016, respectively, out of the shareholders' retained earnings.

24. COMMITMENTS AND CONTINGENCIES

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

	2018	2017
	QR.	QR.
Bank guarantee	**2,021,587**	1,754,743
Letter of credit	--	900,000

25. 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:

	2018	2017
	QR.	QR.
Not later than 1 year	**1,400,739**	2,087,061
Later than 1 year and not longer than 5 years	**28,000**	1,302,644
	1,428,739	3,389,705

26. 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 investments at fair value through equity 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.

26. 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, 2018	**Level 1** **QR.**	**Level 2** **QR.**	**Level 3** **QR.**	**Total** **QR.**
Investments at fair value through equity	**61,699,580**	**627,616,896**	**--**	**689,316,476**
	61,699,580	**627,616,896**	**--**	**689,316,476**

December 31, 2017	Level 1 QR.	Level 2 QR.	Level 3 QR.	Total QR.
Investments at fair value through equity	39,962,301	623,379,939	--	663,342,240
	39,962,301	623,379,939	--	663,342,240

During the year ended December 31, 2018, 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.

27. 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 2016.

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).

27. CAPITAL MANAGEMENT (CONTINUED)

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 gearing ratio at December 31, 2018 of 44.19% (2017: 38.64%) (see below) was in line with the target range.

Gearing ratio
The gearing ratio at year end was as follows:

	2018	2017
	QR.	QR.
Debt (i)	**275,001,843**	280,975,481
Cash and bank balances	**(108,552,456)**	(144,969,156)
Net debt	**166,449,387**	136,006,325
Equity (ii)	**376,647,157**	351,969,241
Net debt to equity ratio	**44.19%**	38.64%

(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.

28. 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.

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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.

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.

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Capital management framework (continued)

Takaful risk (continued)

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.

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.

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Capital management framework (continued)

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.

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, 2018	< 30 days	31 to 60 days	61 to 90 days	91 to above 120 days	Total
	QR.	QR.	QR.	QR.	QR.
Cash in banks	105,252,456	--	--	3,300,000	108,552,456
Investments at fair value through equity	--	--	--	693,816,476	693,816,476
Due from related parties	--	--	15,774,415	--	15,774,415
Takaful and other receivables	--	--	127,183,418	--	127,183,418
Retakaful contract assets	--	--	--	96,894,234	96,894,234
Total	--	--	142,957,833	794,010,710	1,042,220,999

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Capital management framework (continued)

Credit risk

Age analysis of financial assets (continued)

December 31, 2017

	< 30 days	31 to 60 days	61 to 90 days	91 to above 120 days	Total
	QR.	QR.	QR.	QR.	QR.
Cash in banks	141,669,156	--	--	3,300,000	144,969,156
Investments at fair value through equity	--	--	--	667,842,240	667,842,240
Due from related parties	--	--	17,515,799	--	17,515,799
Takaful and other receivables	--	--	132,238,157	--	132,238,157
Retakaful contract assets	--	--	--	82,544,413	82,544,413
Total	141,669,156	--	149,753,956	753,686,653	1,045,109,764

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.

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Capital management framework (continued)

Liquidity risk (continued)

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	1 to 5 years	Total
	QR.	QR.	QR.
December 31, 2018			
Financial assets			
Investments at fair value through equity	--	693,816,476	693,816,476
Due from related parties	15,774,415	--	15,774,415
Takaful and other receivables	127,183,418	--	127,183,418
Retakaful contract assets	96,894,234	--	96,894,234
Due from policyholders	65,507,885	--	65,507,885
Cash and cash equivalents	105,252,456	3,300,000	108,552,456
Total	410,612,408	697,116,476	1,107,728,884
Financial liabilities			
Due to related parties	17,712,975	--	17,712,975
Takaful contract liabilities	361,646,516	--	361,646,516
Murabaha finance	--	275,001,843	275,001,843
Distributable surplus	30,313,124	--	30,313,124
Due to shareholders	65,507,885	--	65,507,885
Takaful payables	67,829,505	--	67,829,505
Total	543,010,005	275,001,843	818,011,848

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

	Up to a year	1 to 5 years	Total
	QR.	QR.	QR.
December 31, 2017			
Financial assets			
Investments at fair value through equity	667,842,240	--	667,842,240
Due from related parties	17,515,799	--	17,515,799
Takaful and other receivables	132,238,157	--	132,238,157
Retakaful contract assets	82,544,413	--	82,544,413
Due from policyholders	50,826,000	--	50,826,000
Cash and cash equivalents	144,969,156	--	144,969,156
Total	1,095,935,765	--	1,095,935,765
Financial liabilities			
Due to related parties	27,538,070	--	27,538,070
Takaful contract liabilities	353,508,776	--	353,508,776
Murabaha finance	280,975,481	--	280,975,481
Distributable surplus	25,875,088	--	25,875,088
Due to shareholders	50,826,000	--	50,826,000
Takaful payables	62,582,264	--	62,582,264
Total	801,305,679	--	801,305,679

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.

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 Stated dollars 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.

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Market risk (continued)

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, 2018 would have been unaffected as the equity investments are classified as investment at fair value through equity and no investments were disposed of or impaired; and other comprehensive income for the year ended December 31, 2018 would increase / decrease by QR. 181,463 (2017: increase / decrease by QR. 108,464) as a result of the changes in fair value of investments at fair value through equity shares.

29. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorised for issue on February 25, 2019.