Qatar General Insurance & Reinsurance Company Q.P.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2018

Rödl & Partner

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE BOARD OF DIRECTORS
QATAR GENERAL INSURANCE & REINSURANCE COMPANY Q.P.S.C.
DOHA – QATAR

Introduction
We have reviewed the accompanying interim condensed consolidated financial statements of **Qatar General Insurance & Reinsurance Company Q.P.S.C.** (the **"Company"**) and its subsidiaries (together referred to as "the Group"), comprising the interim consolidated statement of financial position as of September 30, 2018 and the related interim consolidated statement of profit or loss and interim consolidated statement of comprehensive income for the three month and nine months period ended September 30, 2018 and the interim consolidated statement of changes in equity and the interim consolidated statement of cash flows for the nine month period then ended, and the related explanatory notes.

The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard (IAS 34) – "Interim Financial Reporting". Our responsibility is to express a conclusion on these Interim condensed consolidated financial statements based on our review.

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Emphasis of Matters
Without qualifying our conclusion, we would like to draw attention to;

(a) Note 15 to these interim condensed consolidated financial statements, where in it is mentioned that, the Board of Directors is in the process of reviewing the modalities of calculating the Group Chief Executive Officer's remuneration as per the terms of his employment contract, which has been approved by the Board of Directors. Cumulative adjustments, if any, as a result of such review will be recorded in Financial statements in the subsequent periods.

(b) Note 16 to these interim condensed consolidated financial statements, in the previous year, the Board of Directors has decided to exit from the insurance business in the UAE. As of the reporting date, the Board is yet to determine the exit strategy for the Branch. We are not aware of any contingent liabilities related to this matter.

(c) During the period, the Dubai Branch of the Company has not met the capital and solvency requirements as mandated by the UAE Insurance Authority Regulations. We are not aware of any contingent liabilities related to this matter.

(d) During the period, General Takaful Company Q.P.S.C. an insurance subsidiary of the Company fell short of the solvency ratio requirement (SRR) as mandated by Qatar Central Bank due to reclassification of an asset. The management is in the process of rectifying this shortfall. We are not aware of any contingent liabilities related to this matter.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – "Interim Financial Reporting".

Rödl & Partner – Qatar Branch
Certified Public Accountants

Hikmat Mukhaimer, FCCA (UK)
License No. 297
QFMA Registration Auditor's No. 120151

رودل انـد بـارتـنـر
Rödl & Partner

Doha – Qatar
October 29, 2018

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Qatar General Insurance & Reinsurance Company Q.P.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	30 September 2018 QR '000 (Unaudited)	31 December 2017 QR '000 (Audited)
Assets			
Property and equipment		**187,454**	158,904
Investment properties	3	**5,768,424**	5,638,381
Investment in associates		**914,736**	942,591
Reinsurance assets	7	**668,037**	771,433
Financial assets:			
Insurance receivables		**220,336**	204,506
Receivables from related parties	11 (b)	**147**	166
Financial assets at fair value through other comprehensive income		**1,042,652**	905,356
Financial assets at fair value through profit or loss		**95,288**	129,148
Takaful participants' assets	4 (a)	**398,540**	296,263
Other assets		**189,854**	208,012
Cash and bank balances	5	**196,828**	260,056
Total assets		**9,682,296**	9,514,816
Equity and liabilities			
Equity			
Share capital		**875,067**	875,067
Legal reserve		**584,995**	584,995
Retained earnings		**4,474,743**	4,570,656
Other components of equity		**194,191**	165,773
Equity attributable to equity holders of the Parent		**6,128,996**	6,196,491
Non-controlling interests		**(6,632)**	(5,346)
Total equity		**6,122,364**	6,191,145
Liabilities			
Employees' end-of-service benefits		**42,825**	41,049
Insurance contract liabilities	7	**927,948**	1,037,447
Financial liabilities:			
Loans and borrowings		**1,774,182**	1,538,815
Derivative financial instruments		**2,265**	8,592
Insurance payables		**218,118**	245,396
Payables to related parties	11 (b)	**18,162**	21,973
Takaful participants' fund and liabilities	4 (a)	**398,540**	296,263
Other liabilities		**177,892**	134,136
Total liabilities		**3,559,932**	3,323,671
Total equity and liabilities		**9,682,296**	9,514,816

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Nasser Bin Ali Bin Saud Al Thani	**Jamal Kamel Abu Nahl**
Chairman of the Board of Directors	Chief Executive Officer

The attached notes 1 to 16 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the nine months ended 30 September 2018

		Three months ended		Nine months ended	
		30 September 2018	30 September 2017	**30 September 2018**	30 September 2017
	Notes	**QR '000**	QR '000	**QR '000**	QR '000
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Gross written premiums	**7 (b)**	**125,986**	161,031	**420,507**	461,189
Premiums ceded to reinsurers	**7 (b)**	**(83,705)**	(119,485)	**(285,156)**	(326,436)
Net change in unearned premiums provision		**1,795**	1,687	**(3,315)**	157
Net earned premiums	**7 (b)**	**44,076**	43,233	**132,036**	134,910
Gross claims paid		**(45,283)**	(41,478)	**(209,704)**	(204,996)
Claims ceded to reinsurers		**25,405**	17,219	**128,545**	128,918
Gross change in insurance contract liabilities	**7 (a)**	**43,564**	(1,544)	**83,334**	(54,138)
Change in insurance contract liabilities ceded to reinsurers	**7 (a)**	**(41,345)**	2,147	**(70,108)**	40,355
Net claims		**(17,659)**	(23,656)	**(67,933)**	(89,861)
Net commission and other insurance income		**1,890**	9,069	**11,256**	21,946
Underwriting results		**28,307**	28,646	**75,359**	66,995
Investment income		**34,040**	27,492	**149,350**	156,991
Net realised gains (losses)		**5,037**	(213)	**5,844**	(656)
Fair value gains (losses)		**6,180**	(8,775)	**17,914**	(35,546)
Income from construction activities		**1,982**	3,040	**7,230**	32,446
Other income		**97**	1	**394**	203
Investment and other operations results		**47,336**	21,545	**180,732**	153,438
Finance costs		**(19,127)**	(14,289)	**(51,326)**	(39,800)
Cost of construction activities		**(1,933)**	(4,182)	**(6,540)**	(32,575)
Other operating and administrative expenses		**(43,570)**	(41,372)	**(138,224)**	(124,538)
Total expenses		**(64,630)**	(59,843)	**(196,090)**	(196,913)
Profit (loss) from operations		**11,013**	(9,652)	**60,001**	23,520
Share of profits from associates		**5,266**	5,213	**9,477**	11,626
Profit (loss) for the period		**16,279**	(4,439)	**69,478**	35,146
Profit (loss) attributable to:					
Equity holders of the Parent		**16,732**	(4,403)	**70,764**	35,285
Non-controlling interests		**(453)**	(36)	**(1,286)**	(139)
		16,279	(4,439)	**69,478**	35,146
Earnings per share					
Basic and diluted earnings per share (in Qatari Riyals per share)	**9**	**0.19**	(0.05)	**0.81**	0.40

The attached notes 1 to 16 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2018

	Three months ended		Nine months ended	
	30 September 2018	30 September 2017	**30 September 2018**	30 September 2017
	QR '000	QR '000	**QR '000**	QR '000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Profit (loss) for the period	**16,279**	(4,439)	**69,478**	35,146
Other comprehensive income (loss)				
Items may be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign operations	**(5,199)**	(32,950)	**(27,821)**	(13,869)
Net gain on cash flow hedge	**1,103**	2,631	**6,327**	6,627
Net loss on available-for-sale financial assets	**-**	(42,304)	**-**	(156,012)
	(4,096)	(72,623)	**(21,494)**	(163,254)
Item not to be reclassified to profit or loss in subsequent periods				
Net gain on financial assets at fair value through other comprehensive income	**55,419**	-	**84,923**	-
Other comprehensive income (loss) for the period	**51,323**	(72,623)	**63,429**	(163,254)
Total comprehensive income (loss) for the period	**67,602**	(77,062)	**132,907**	(128,108)
Total comprehensive income (loss) attributable to:				
Equity holders of the Parent	**68,055**	(77,026)	**134,193**	(127,969)
Non-controlling interests	**(453)**	(36)	**(1,286)**	(139)
	67,602	(77,062)	**132,907**	(128,108)

Qatar General Insurance & Reinsurance Company Q.P.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2018

		Equity attributable to equity holders of the Parent									
					Other components of equity						
		Share capital	Legal reserve	Retained earnings	Fair value reserve	Revaluation surplus	Cash flow hedge	Foreign currency translation reserve	Total ordinary shareholders' equity	Non-controlling interests	Total equity
	Notes	**QR '000**	**QR '000**	**QR '000**	**QR '000**	**QR '000**	**QR '000**	**QR '000**	**QR '000**	**QR '000**	**QR '000**
At 31 December 2017 (audited)		**875,067**	**584,995**	**4,570,656**	**475,921**	**58,611**	**(8,592)**	**(360,167)**	**6,196,491**	**(5,346)**	**6,191,145**
Adjustments on adoption of IFRS 9	**13**	**-**	**-**	**25,838**	**(35,011)**	**-**	**-**	**-**	**(9,173)**	**-**	**(9,173)**
At 1 January 2018 (adjusted)		**875,067**	**584,995**	**4,596,494**	**440,910**	**58,611**	**(8,592)**	**(360,167)**	**6,187,318**	**(5,346)**	**6,181,972**
Profit (loss) for the period		**-**	**-**	**70,764**	**-**	**-**	**-**	**-**	**70,764**	**(1,286)**	**69,478**
Other comprehensive income (loss)		**-**	**-**	**-**	**84,923**	**-**	**6,327**	**(27,821)**	**63,429**	**-**	**63,429**
Total comprehensive income (loss)		**-**	**-**	**70,764**	**84,923**	**-**	**6,327**	**(27,821)**	**134,193**	**(1,286)**	**132,907**
Shareholders dividends	**6**	**-**	**-**	**(192,515)**	**-**	**-**	**-**	**-**	**(192,515)**	**-**	**(192,515)**
At 30 September 2018 (unaudited)		**875,067**	**584,995**	**4,474,743**	**525,833**	**58,611**	**(2,265)**	**(387,988)**	**6,128,996**	**(6,632)**	**6,122,364**

The attached notes 1 to 16 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the nine months ended 30 September 2018

		Equity attributable to equity holders of the Parent									
					Other components of equity						
		Share capital	Legal reserve	Retained earnings	Fair value reserve	Revaluation surplus	Cash flow hedge	Foreign currency translation reserve	Total ordinary shareholders' equity	Non-controlling interests	Total equity
	Note	QR '000	QR '000	QR '000	QR '000	QR '000	QR '000	QR '000	QR '000	QR '000	QR '000
At 31 December 2016 (audited)		875,067	558,904	4,421,367	597,183	77,355	(19,820)	(142,119)	6,367,937	41,122	6,409,059
Profit (loss) for the period		-	-	35,285	-	-	-	-	35,285	(139)	35,146
Other comprehensive (loss) income		-	-	-	(156,012)	-	6,627	(13,869)	(163,254)	-	(163,254)
Total comprehensive income (loss)		-	-	35,285	(156,012)	-	6,627	(13,869)	(127,969)	(139)	(128,108)
Shareholders dividends	6	-	-	(131,260)	-	-	-	-	(131,260)	-	(131,260)
At 30 September 2017 (unaudited)		875,067	558,904	4,325,392	441,171	77,355	(13,193)	(155,988)	6,108,708	40,983	6,149,691

The attached notes 1 to 16 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2018

	Notes	**30 September 2018 QR '000 (Unaudited)**	30 September 2017 QR '000 (Unaudited)
Operating activities			
Profit for the period		**69,478**	35,146
Adjustment for:			
Net change in operating assets	**10**	**(7,780)**	(136,347)
Net change in operating liabilities	**10**	**13,045**	(86,596)
Non-cash items included in profit for the period:			
Fair value (gains) losses		**(17,914)**	35,546
Impairment reversals on reinsurance assets		**(814)**	-
Impairment losses (reversals) on receivables		**1,605**	(870)
Impairment losses on available-for-sale financial assets		**-**	3,806
Impairment reversals on financial assets at fair value through other comprehensive income		**(736)**	-
Share of profits from associates		**(9,477)**	(11,626)
Depreciation of property and equipment		**9,494**	7,712
Amortisation of intangible asset		**1,257**	1,257
Loss (gain) from sale of property and equipment		**1**	(62)
Gain from sale of available-for-sale financial assets		**-**	(2,921)
Gain from sale of financial assets at fair value through other comprehensive income		**(2,340)**	-
Gain from sale of financial assets at fair value through profit or loss		**(2,891)**	(229)
Net movement in outstanding claims provision	**7 (a)**	**(13,226)**	13,783
Net movement in unearned premiums provision		**3,315**	(157)
Finance costs		**51,326**	39,800
Provision for employees' end-of-service benefits		**4,413**	3,743
Cash from (used in) operations		**98,756**	(98,015)
Employees' end-of-service benefits paid		**(2,637)**	(914)
Net cash flows from (used in) operating activities		**96,119**	(98,929)
Investing activities			
Additions to property and equipment		**(12,679)**	(32,713)
Proceeds from sale of property and equipment		**5**	68
Additions to investment properties		**(138,320)**	(136,938)
Dividends received from associates		**8,597**	3,407
Purchase of financial assets at fair value through other comprehensive income		**(78,108)**	(106,749)
Purchase of financial assets at fair value through profit or loss		**(3,236)**	(1,186)
Proceeds from sale of financial assets at fair value through other comprehensive income		**80,442**	84,054
Proceeds from sale of financial assets at fair value through profit or loss		**9,898**	4,009
Net movement in term deposits	**5**	**(15,849)**	-
Net cash flows used in investing activities		**(149,250)**	(186,048)
Financing activities			
Proceeds from loans and borrowings		**407,589**	521,845
Repayment of loans and borrowings		**(189,316)**	(255,562)
Finance costs paid		**(51,704)**	(40,055)
Dividends paid to equity holders of the Parent		**(192,515)**	(131,260)
Net cash flows (used in) from financing activities		**(25,946)**	94,968
Net decrease in cash and cash equivalents		**(79,077)**	(190,009)
Cash and cash equivalents at the beginning of the period		**260,056**	300,576
Cash and cash equivalents at the end of the period	**5**	**180,979**	110,567
Operational cash flows from interest and dividends			
Interest paid		**(49,637)**	(37,935)
Interest received		**11,902**	11,067
Dividends received		**38,905**	29,395

The attached notes 1 to 16 form an integral part of these interim condensed consolidated financial statements.

1 CORPORATE INFORMATION

Qatar General Insurance & Reinsurance Company Q.P.S.C. (the "Company" or the "Parent Company") is a public shareholding company incorporated by Emiri Decree No. 52 of 1978 under commercial registry number 7200 and governed by the provisions of the Qatar Commercial Companies' Law No. 11 of 2015 and the applicable provisions of Qatar Central Bank Law No. 13 of 2012. The Company and its subsidiaries (together referred to as the "Group") are engaged in the business of general insurance and reinsurance including Islamic Takaful insurance, real estate, investment, manufacturing, trading and contracting. The shares of the Company are listed on the Qatar Exchange.

The Company has seven local branches in Qatar and one overseas branch in United Arab Emirates (in Dubai). The interim condensed consolidated financial statements incorporate the financial statements of the Company and its subsidiaries and the Group's interest in the associates. The subsidiaries are:

Name of the subsidiary	**Ownership**	**Country of incorporation**	**Principal activities**
Qatar General Holding Company W.L.L.	100%	State of Qatar	Investments management of the Group
General Takaful Company Q.P.S.C.	100%	State of Qatar	Islamic insurance
General Real Estate Company W.L.L.	100%	State of Qatar	Real estate investment and management
World Trade Center – Qatar W.L.L.	100%	State of Qatar	Hospitality, exihibition and events management
Mozoon Insurance Marketing Services W.L.L.	100%	State of Qatar	Insurance marketing services
General Tower for Real Estate Investments W.L.L.	100%	State of Qatar	Real estate investment and development
Orientals Enterprises W.L.L.	100%	State of Qatar	Contracting and construction
National Rebar Formation Factory W.L.L.	100%	State of Qatar	Manufacturing of rebar
Orient Insulation Factory W.L.L.	100%	State of Qatar	Manufacturing of insulation materials
Orientals Garage W.L.L.	100%	State of Qatar	Automobiles repair
General Company for Water and Beverages W.L.L.	60%	State of Qatar	Water bottling and beverages trading
Mozoon Real Estate Company W.L.L.	50%	State of Qatar	Real estate investment and development

These interim condensed consolidated financial statements of the Group for the period ended 30 September 2018 were authorised for issue by the Board of Directors on 29 October 2018.

2 BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the nine months period ended 30 September 2018 have been prepared in accordance with IAS 34 "Interim Financial Reporting" and have been presented in Qatari Riyals which is the Company's functional and presentation currency. All values are rounded to the nearest thousands (QR'000) except where otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2017. In addition, results for the nine months ended 30 September 2018 are not necessarily indicative of the results that maybe expected for the financial year ending 31 December 2018.

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2017, except for the changes in significant accounting policies arising from the adoption of new accountig standards that are described under "changes in signficant accounting policies".

2 BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (CONTINUED)

Changes in significant accounting policies
Except as disclosed below, the accounting policies applied in these interim condensed consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

During the period, the Group has initially adopted IFRS 9 Financial Instruments from 1 January 2018. There are other new standards and interpretations that are effective from 1 January 2018 but they do not have a material effect on the Group's interim condensed consolidated financial statements.

The Group has adopted IFRS 9 Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. The impacts of the change in accounting policy have been disclosed in Note 13.

The accounting policies of the Group relating to financial instruments post adoption of IFRS 9 are disclosed below:

Financial instruments

Financial assets

Classification
From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (FVTOCI), or through profit or loss (FVTPL)), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets at fair value, gains and losses will be either be recorded in profit or loss or other comprehensive income.

For investments in equity instruments, this will depend on whether the Group has made an irrecoverable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

Measurement
At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principle and interest.

Debt instruments
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories in to which the Group classifies its debt instruments:

2 BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (CONTINUED)

Changes in significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Measurement (continued)

Debt instruments (continued)

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principle and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from this financial asset is included in the interim consolidated statement of profit or loss using the effective interest rate method.
- Fair value through other comprehensive income (FVTOCI): Assets that are held for collection of contractual cash flow and for selling the financial assets, where the assets cash flows represent solely payments of principle and interests, are measured at fair value through other comprehensive income (FVTOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gains or losses previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in investment income using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the interim consolidated statement of profit or loss in the period in which it arises. Interest income from these financial assets is included in the investment income.

Equity instruments

The Group subsequently measured all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as investment income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in the interim consolidated statement of profit or loss as applicable.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the fair value reserve.

Impairment of financial assets

The Group recognises loss allowance on reinsurance assets and debt securities at an amount equal to lifetime or a twelve months ECL methodology for determining the expected credit losses on financial assets. A lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. Twelve months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within twelve months after the reporting date. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For all other financial assets including due from policyholders, insurers and reinsurers and other non insurance-related debtors, the Group recognises lifetime ECL when there has been a significant increase in the likelihood or risk of a default since initial recognition using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

2 BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (CONTINUED)

Changes in significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 365 days past due in the case of insurance related receivables and 180 days past due with respect to non-insurance related receivables.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the debtor;
b) a breach of contract, such as a default or past due event;
c) it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
d) the disappearance of an active market for that financial asset because of financial difficulties.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In contrast, on de-recognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the fair value reserve is not reclassified to profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2 BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (CONTINUED)

Changes in significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gains or losses is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities
All financial liabilities are subsequently measured at amortised cost using the effective interest method or at fair value through profit or loss (FVTPL).

Hedge accounting
The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is no longer required. The Group has also elected to continue to apply the hedge accounting requirements of IAS 39 as permitted by IFRS 9.

3 INVESTMENT PROPERTIES

	30 September 2018	31 December 2017
	QR '000	QR '000
	(Unaudited)	(Audited)
At the beginning of the period / year	**5,638,381**	6,064,376
Additions	**156,994**	211,436
Transferred to property and equipment	**(26,951)**	(27,122)
Fair value losses	**-**	(610,309)
At the end of the period / year	**5,768,424**	5,638,381

4 TAKAFUL PARTICIPANTS' FUND ACCOUNTS

(a) Interim statement of financial position – Takaful policyholders

	30 September 2018	31 December 2017
	QR '000	QR '000
	(Unaudited)	(Audited)
Takaful participants' assets		
Furniture and equipment	**2,774**	2,379
Investment properties	**102,755**	100,688
Retakaful assets	**134,581**	34,876
Financial assets:		
Takaful receivables	**88,720**	67,128
Receivables from related parties	**1,046**	992
Financial assets at fair value through other comprehensive income	**31,627**	45,657
Other assets	**3,577**	3,257
Cash and cash equivalents	**33,460**	41,286
	398,540	296,263
Takaful participants' fund and liabilities		
Retained surplus	**15,955**	11,099
Fair value reserve	**(4,295)**	(1,160)
Takaful contract liabilities	**325,587**	225,794
Financial liabilities:		
Takaful payables	**55,563**	52,389
Payables to related parties	**463**	597
Other liabilities	**5,267**	7,544
	398,540	296,263

4 TAKAFUL PARTICIPANTS' FUND ACCOUNTS (CONTINUED)

(b) Interim statement of profit or loss – Takaful policyholders

	Three months ended		Nine months ended	
	30 September 2018	30 September 2017	**30 September 2018**	30 September 2017
	QR '000	QR '000	**QR '000**	QR '000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Gross written contributions	**43,474**	57,491	**147,095**	178,410
Contributions ceded to retakaful companies	**(9,679)**	(11,587)	**(24,292)**	(27,673)
Net change in unearned contributions provision	**7,427**	1,893	**12,106**	(14,075)
Net earned contributions	**41,222**	47,797	**134,909**	136,662
Gross claims paid	**(27,015)**	(39,209)	**(97,889)**	(115,747)
Claims ceded to retakaful companies	**750**	1,150	**6,931**	13,672
Gross change in Takaful contract liabilities	**(101,347)**	(1,063)	**(113,253)**	(1,328)
Change in Takaful contract liabilities ceded to retakaful companies	**98,991**	(238)	**101,058**	139
Net claims	**(28,621)**	(39,360)	**(103,153)**	(103,264)
Net commissions and other Takaful expenses	**(1,950)**	(2,072)	**(7,387)**	(6,948)
Underwriting results	**10,651**	6,365	**24,369**	26,450
Investment (loss) income	**(780)**	63	**(175)**	684
Impairment recoveries of receivables	**-**	-	**-**	40
Surplus for the period before wakala fee	**9,871**	6,428	**24,194**	27,174
Wakala fee	**(6,520)**	(8,623)	**(22,063)**	(26,465)
Surplus (deficit) for the period	**3,351**	(2,195)	**2,131**	709

5 CASH AND CASH EQUIVALENTS

	30 September 2018	31 December 2017
	QR '000	QR '000
	(Unaudited)	(Audited)
Cash and bank balances	**196,828**	260,056
Less: term deposits with maturity of more than 3 months	**(15,849)**	-
Cash and cash equivalents	**180,979**	260,056

6 SHAREHOLDERS DIVIDENDS

During the period, a cash dividend of 22% of the nominal share value (QR 2.20 per share) for the year ended 31 December 2017 were approved (30 September 2017: cash dividend of 15% of the nominal share value (QR 1.50 per share) for the year ended 31 December 2016 were approved).

7 INSURANCE CONTRACT LIABILITIES

		30 September 2018			31 December 2017		
		Insurance contract liabilities	**Reinsurance of insurance contract liabilities**	**Net**	Insurance contract liabilities	Reinsurance of insurance contract liabilities	Net
	Notes	**QR '000**	**QR '000**	**QR '000**	QR '000	QR '000	QR '000
		(Unaudited)	**(Unaudited)**	**(Unaudited)**	(Audited)	(Audited)	(Audited)
Provision for reported claims by policyholders		**566,982**	**(450,488)**	**116,494**	649,776	(524,681)	125,095
Provision for claims IBNR		**77,441**	**(48,822)**	**28,619**	77,514	(48,545)	28,969
Provision for unallocated loss adjustment expense		**4,303**	**-**	**4,303**	4,473	-	4,473
Provision for premiums deficiency		**893**	**-**	**893**	1,190	-	1,190
Outstanding claims provision	(a)	**649,619**	**(499,310)**	**150,309**	732,953	(573,226)	159,727
Provision for unearned premiums (reserve for unexpired risks)	(b)	**278,329**	**(168,727)**	**109,602**	304,494	(198,207)	106,287
		927,948	**(668,037)**	**259,911**	1,037,447	(771,433)	266,014

(a) Outstanding claims provision

	30 September 2018			31 December 2017		
	Insurance contract liabilities	**Reinsurance of insurance contract liabilities**	**Net**	Insurance contract liabilities	Reinsurance of insurance contract liabilities	Net
	QR '000	**QR '000**	**QR '000**	QR '000	QR '000	QR '000
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	(Audited)	(Audited)	(Audited)
At the beginning of the period / year	**732,953**	**(573,226)**	**159,727**	683,183	(534,021)	149,162
Adjustments on adoption of IFRS 9	**-**	**4,622**	**4,622**	-	-	-
Gross / ceded change in insurance contract liabilities	**(83,334)**	**70,108**	**(13,226)**	49,770	(39,205)	10,565
Net movement in expected credit loss allowance	**-**	**(814)**	**(814)**	-	-	-
At the end of the period / year	**649,619**	**(499,310)**	**150,309**	732,953	(573,226)	159,727

7 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(b) Provision for unearned premiums (reserve for unexpired risks)

	30 September 2018			31 December 2017		
	Insurance contract liabilities	**Reinsurance of insurance contract liabilities**	**Net**	Insurance contract liabilities	Reinsurance of insurance contract liabilities	Net
	QR '000	**QR '000**	**QR '000**	QR '000	QR '000	QR '000
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	(Audited)	(Audited)	(Audited)
At the beginning of the period / year	**304,494**	**(198,207)**	**106,287**	355,574	(245,702)	109,872
Premiums written during the period / year	**420,507**	**(285,156)**	**135,351**	566,971	(387,282)	179,689
Premiums earned during the period / year	**(446,672)**	**314,636**	**(132,036)**	(618,051)	434,777	(183,274)
At the end of the period / year	**278,329**	**(168,727)**	**109,602**	304,494	(198,207)	106,287

8 SEGMENT INFORMATION

Segment interim consolidated statement of profit or loss:

	30 September 2018			30 September 2017		
	Insurance	**Investments**	**Total**	Insurance	Investments	Total
	QR '000	**QR '000**	**QR '000**	QR '000	QR '000	QR '000
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	(Unaudited)	(Unaudited)	(Unaudited)
Gross written premiums	**420,507**	**-**	**420,507**	461,189	-	461,189
Premiums ceded to reinsurers	**(285,156)**	**-**	**(285,156)**	(326,436)	-	(326,436)
Net change in unearned premiums provision	**(3,315)**	**-**	**(3,315)**	157	-	157
Net earned premiums	**132,036**	**-**	**132,036**	134,910	-	134,910
Gross claims paid	**(209,704)**	**-**	**(209,704)**	(204,996)	-	(204,996)
Claims ceded to reinsurers	**128,545**	**-**	**128,545**	128,918	-	128,918
Gross change in insurance contract liabilities	**83,334**	**-**	**83,334**	(54,138)	-	(54,138)
Change in insurance contract liabilities ceded to reinsurers	**(70,108)**	**-**	**(70,108)**	40,355	-	40,355
Net claims	**(67,933)**	**-**	**(67,933)**	(89,861)	-	(89,861)
Net commission and other insurance income	**11,256**	**-**	**11,256**	21,946	-	21,946
Underwriting results	**75,359**	**-**	**75,359**	66,995	-	66,995

8 SEGMENT INFORMATION (CONTINUED)

Segment interim consolidated statement of profit or loss: (continued)

	30 September 2018			30 September 2017		
	Insurance	**Investments**	**Total**	Insurance	Investments	Total
	QR '000 (Unaudited)	**QR '000 (Unaudited)**	**QR '000 (Unaudited)**	QR '000 (Unaudited)	QR '000 (Unaudited)	QR '000 (Unaudited)
Investment income	-	**149,350**	**149,350**	-	156,991	156,991
Net realised gains (losses)	-	**5,844**	**5,844**	-	(656)	(656)
Fair value gains (losses)	-	**17,914**	**17,914**	-	(35,546)	(35,546)
Income from construction activities	-	**7,230**	**7,230**	-	32,446	32,446
Other income	-	**394**	**394**	-	203	203
Investment and other operations results	-	**180,732**	**180,732**	-	153,438	153,438
Finance costs	**(1,689)**	**(49,637)**	**(51,326)**	(1,662)	(38,138)	(39,800)
Cost of construction activities	**-**	**(6,540)**	**(6,540)**	-	(32,575)	(32,575)
Other operating and administrative expenses	**(64,179)**	**(74,045)**	**(138,224)**	(63,814)	(60,724)	(124,538)
Total expenses	**(65,868)**	**(130,222)**	**(196,090)**	(65,476)	(131,437)	(196,913)
Profit from operations	**9,491**	**50,510**	**60,001**	1,519	22,001	23,520
Share of profits from associates	**-**	**9,477**	**9,477**	-	11,626	11,626
Profit for the period	**9,491**	**59,987**	**69,478**	1,519	33,627	35,146

Segment assets and liabilities

Assets and liabilities of the Group are commonly used across the primary segments.

Geographic information

The Group operates in two geographic markets, in the State of Qatar and the United Arab Emirates. Gross written premiums in the State of Qatar amounted to QR 379.15 million (30 September 2017: QR 413.51 million) and the United Arab Emirates amounted to QR 41.36 million (30 September 2017: QR 47.68 million).

9 EARNINGS PER SHARE

	Three months ended		Nine months ended	
	30 September 2018	30 September 2017	**30 September 2018**	30 September 2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Profit (loss) attributable to the ordinary equity holders of the Parent (QR '000)	**16,732**	(4,403)	**70,764**	35,285
Weighted average number of shares (in thousands)	**87,507**	87,507	**87,507**	87,507
Earnings per share (in Qatari Riyals per share)	**0.19**	(0.05)	**0.81**	0.40

10 CASH GENERATED FROM AND USED IN OPERATING ASSETS AND LIABILITIES

	30 September 2018	30 September 2017
	QR '000	QR '000
	(Unaudited)	(Unaudited)
Net change in insurance receivables	**(23,252)**	(62,950)
Net change in receivables from related parties	**19**	123
Net change in other assets	**15,453**	(73,520)
Net change in operating assets	**(7,780)**	(136,347)
Net change in insurance payables	**(27,278)**	39,952
Net change in payables to related parties	**(3,811)**	(61,748)
Net change in other liabilities	**44,134**	(64,800)
Net change in operating liabilities	**13,045**	(86,596)

11 RELATED PARTY DISCLOSURES

Related parties consist of shareholders, related companies and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

(a) Related party transactions

Transactions with related parties included in the interim consolidated statement of profit or loss were as follows:

	30 September 2018					
	Gross written premiums	**Premiums ceded to reinsurers**	**Gross claims paid**	**Claims ceded to reinsurers**	**Fees and commission income**	**Other operating expenses**
	QR '000	**QR '000**	**QR '000**	**QR '000**	**QR '000**	**QR '000**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Oman Reinsurance Company S.A.O.C.	**1**	**(65,515)**	**-**	**6,739**	**2,848**	**-**
Others	**8,710**	**(3,926)**	**(54,058)**	**1,128**	**1,081**	**(1,999)**

11 RELATED PARTY DISCLOSURES (CONTINUED)

(a) Related party transactions (continued)

	30 September 2017					
	Gross written premiums	Premiums ceded to reinsurers	Gross claims paid	Claims ceded to reinsurers	Fees and commission income	Other operating expenses
	QR '000	QR '000	QR '000	QR '000	QR '000	QR '000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Trust Re – Bahrain	450	(58,759)	-	2,775	2,659	(226)
Others	8,655	(13)	(8,585)	-	-	(2,154)

The compensation of key management personnel during the period were as follows:

	30 September 2018	30 September 2017
	QR '000	QR '000
	(Unaudited)	(Unaudited)
Salaries and other short-term benefits	**24,610**	16,784
Board of Directors' remuneration	**7,815**	6,923
End-of-service benefits	**933**	773
	33,358	24,480

(b) Receivables from / payables to related parties

Non-insurance related balances with related parties included in the interim consolidated statement of financial position are as follows:

Receivables from related parties

		30 September 2018	31 December 2017
	Relationship	**QR '000**	QR '000
		(Unaudited)	(Audited)
North Africa Energy Company W.L.L.	Affiliate	**72**	70
Trust Syria Insurance Company S.A.S.C.	Associate	**63**	54
Nest Investments (Holdings) Limited	Affiliate	**12**	-
Trust Re – Bahrain	Affiliate	**-**	1
Trust Algeria Assurances & Reassurance S.P.A.	Associate	**-**	41
		147	166

11 RELATED PARTY DISCLOSURES (CONTINUED)

(b) Receivables from / payables to related parties (continued)

Payables to related parties

	Relationship	30 September 2018 QR '000 (Unaudited)	31 December 2017 QR '000 (Audited)
Alsari Trading Company W.L.L.	Affiliate	**14,639**	13,407
Falcon Readymix Company W.L.L.	Affiliate	**3,463**	4,442
Trust Holding Ltd. Company	Affiliate	**60**	184
Nest Investments (Holdings) Limited	Affiliate	**-**	3,940
		18,162	21,973

(c) Insurance receivables and payables

Insurance related balances with related parties included in the interim consolidated statement of financial position are as follows:

	Relationship	30 September 2018 QR '000 (Unaudited)	31 December 2017 QR '000 (Audited)
Oman Reinsurance Company S.A.O.C.	Affiliate	**(4,777)**	(490)
Trust Re – Bahrain	Affiliate	**-**	(13,080)
Other insurance receivables	Others	**3,989**	3,281
Other insurance payables	Others	**(4,147)**	(608)

(d) Investment properties

The additions to investment properties include QR 4.95 million (31 December 2017: QR 27.13 million) in supplies from Falcon Readymix Company W.L.L.

(e) Other assets

Other assets include advance payments to a related party as follows:

	30 September 2018 QR '000 (Unaudited)	31 December 2017 QR '000 (Audited)
Trust Investment Holding Algeria	**80,900**	79,412

All above disclosed balances are unsecured and interest free. There have been no guarantees provided or received for any related party receivables. During the period, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (31 December 2017: Nil).

12 FAIR VALUE MEASUREMENT

The following table provides the fair value measurement hierarchy of the Group's assets and liability that are measured at fair value.

		Quoted prices in active markets Level 1	**Significant observable inputs Level 2**	**Significant unobservable inputs Level 3**	**Total**
30 September 2018 (unaudited)	**Note**	**QR '000**	**QR '000**	**QR '000**	**QR '000**
Assets measured at fair value:					
Investment properties	**3**	**-**	**-**	**5,768,424**	**5,768,424**
Financial assets at FVTOCI					
Equity instruments		**816,951**	**-**	**3,650**	**820,601**
Debt instruments		**213,716**	**-**	**-**	**213,716**
Managed funds		**-**	**8,335**	**-**	**8,335**
Financial assets at FVTPL					
Equity instruments		**92,227**	**-**	**-**	**92,227**
Debt instruments		**3,061**	**-**	**-**	**3,061**
		1,125,955	**8,335**	**5,772,074**	**6,906,364**
Liability measured at fair value:					
Derivative financial instruments		**-**	**2,265**	**-**	**2,265**

		Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
31 December 2017 (audited)	Note	QR '000	QR '000	QR '000	QR '000
Assets measured at fair value:					
Investment properties	3	-	-	5,638,381	5,638,381
Available-for-sale financial assets		879,999	21,707	-	901,706
Financial assets at fair value through profit or loss		129,148	-	-	129,148
		1,009,147	21,707	5,638,381	6,669,235
Liability measured at fair value:					
Derivative financial instruments		-	8,592	-	8,592

During the period, there were no transfers between Level 1, Level 2 and Level 3 (31 December 2017: Nil).

13 IMPACT OF CHANGES IN ACCOUNTING POLICIES

Classification and measurement of financial assets
The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. The Group has adopted modified retrospective method as per exemption under IFRS 9 paragraph 7.2.15 thus the comparative information has not been restated.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The management reviewed and assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Group's financial assets as regards their classification and measurement:

- the Group's investments in equity instruments (not held for trading) that were previously classified as available-for-sale financial assets and were measured at fair value at each reporting date under IAS 39 have been designated at FVTOCI. The change in fair values on these equity instruments continues to be accumulated in the fair value reserve.
- Prior to adoption of IFRS 9, debt instruments that were previously classified as available-for-sale financial assets were measured at fair values through other comprehensive income. On the date of the intial adoption of IFRS 9, the management assessed debt instruments to be held within a business model to collect contractual cash flows and sell the instruments in long term and therefore classified as FVTOCI.
- financial assets classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Financial assets

	Available-for-sale	Fair value through profit or loss	Fair value through other comprehensive income
	QR'000	QR'000	QR'000
At 31 December 2017 (audited)	905,356	129,148	-
Adjustments on adoption of IFRS 9			
Non-trading equities reclassified from AFS to FVTOCI	(905,356)	-	905,356
Trading equities reclassified from FVTPL to FVTOCI	-	(48,003)	48,003
At 1 January 2018 (adjusted)	**-**	**81,145**	**953,359**

The impact of these changes on the Group's equity is as follows:

	Retained earnings	Fair value reserve	Non-controlling interests
	QR'000	QR'000	QR'000
At 31 December 2017 (audited)	4,570,656	475,921	(5,346)
Adjustments on adoption of IFRS 9			
Impact of reclassification and remeasurement			
Equity instruments	34,671	(34,671)	-
Managed funds	340	(340)	-
Impact of expected credit loss			
Reinsurance assets	(4,622)	-	-
Insurance receivables	(5,202)	-	-
Debt instruments	2,714	-	-
Non-insurance related receivables	(2,063)	-	-
At 1 January 2018 (adjusted)	**4,596,494**	**440,910**	**(5,346)**

13 IMPACT OF CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Reclassifications and remeasurements of assets on adoption of IFRS 9

On the date of initial application, 1 January 2018, the classification and measurement of reinsurance assets and financial instruments of the Group were as follows:

	Measurement category		Impact of IFRS 9			
	As applied at 31 December 2017	**As applied at 1 January 2018**	**31 December 2017**	**Reclassification**	**Remeasurement**	**1 January 2018**
			QR'000 (Audited)	**QR'000**	**QR'000**	**QR'000 (Uaudited)**
Reinsurance assets	IFRS 4 – Insurance contracts	IFRS 4 – Insurance contracts	524,681	-	(4,622)	520,059
Insurance receivables	IAS 39 – Loans and receivables	IFRS 9 – Amortised cost	204,506	-	(5,202)	199,304
Receivables from related parties	IAS 39 – Loans and receivables	IFRS 9 – Amortised cost	166	-	-	166
Available-for-sale financial assets	IAS 39 – Available-for-sale	IFRS 9 – FVTOCI	905,356	48,003	2,714	956,073
Financial assets at fair value through profit or loss	IAS 39 – FVTPL	IFRS 9 – FVTPL	129,148	(48,003)	-	81,145
Other assets	IAS 39 – Loans and receivables	IFRS 9 – Amortised cost	13,427	-	(2,063)	11,364
Cash and bank balances	IAS 39 – Loans and receivables	IFRS 9 – Amortised cost	260,056	-	-	260,056
			2,037,340	**-**	**(9,173)**	**2,028,167**

13 IMPACT OF CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Classification and measurement of financial liabilities
One major change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer. Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

This change in accounting policy has no impact on the classification and measurement of the Group's financial liabilities.

Financial liabilities at 31 December 2017 (audited)	**Measurement category**		**Carrying amount**	
	IAS 39	**IFRS 9**	**IAS 39**	**IFRS 9**
			QR'000	**QR'000**
Loans and borrowings	Amortised cost	Amortised cost	1,538,815	1,538,815
Derivative financial instruments	FVTOCI	FVTOCI	8,592	8,592
Insurance payables	Amortised cost	Amortised cost	245,396	245,396
Payables to related parties	Amortised cost	Amortised cost	21,973	21,973
Other liabilities	Amortised cost	Amortised cost	28,194	28,194
			1,842,970	**1,842,970**

There were no financial liabilities which the Group had previously designated as fair value through profit or loss. Under IAS 39 that were subject to reclassification, or which the Group has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Group has elected to designate as fair value through profit or loss at the date of initial application of IFRS 9.

Credit risk
The Group is exposed to credit risk on due from policyholders, insurers and reinsurers, other insurance debtors and debt instruments if counterparties fail to make payments as they fall due.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis through each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- External credit rating (as far as available)
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- Actual or expected significant changes in the operating results of the policyholders, insurers and reinsurers, other insurance debtors and debt issuers;
- Significant changes in the expected performance and behaviour of the policyholders, insurers and reinsurers, other insurance debtors and debt issuers, including changes in their payment status and changes in their operating results;
- Significant changes in credit risk on other financial instruments of the same policyholders, insurers and reinsurers, other insurance debtors and debt issuers.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 365 days past due in the case of insurance related receivables and 180 days past due with respect to non-insurance related receivables in making a contractual payment.

13 IMPACT OF CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Credit risk (continued)

Financial assets are written-off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loan or receivable have been written-off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, those are recognised in interim consolidated statement of profit or loss.

The Group has chosen to estimate the expected credit loss for its receivables based on the following approach:

- General approach: reinsurance assets and debt instruments
- Simplified approach: due from non-insurance-related receivables, policyholders, insurers and reinsurers, and other insurance-related debtors

The management assesses the impact of the forward looking information on its impairment model such as credit default swap spread. Based on the management assessment of the Group financial assets and considering the nature of the Group business, the management believes that the forward looking information does not have material impact on its impairment assessment.

General approach

a) Reinsurance assets

	Gross carrying value	ECL allowance	Net carrying value
30 September 2018 (unaudited)	**QR'000**	**QR'000**	**QR'000**
Reinsurance assets with a counterparty credit rating in the series of ‘A’	275,528	(624)	274,904
Reinsurance assets with a counterparty credit rating in the series of ‘B’	23,579	(69)	23,510
Reinsurance assets with a counterparty credit rating in the series of ‘C’ and non-rated	155,189	(3,115)	152,074
	454,296	**(3,808)**	**450,488**

b) Debt instruments

	Cost	Fair value reserve	ECL allowance 12 months	ECL allowance Life time	Fair value
30 September 2018 (unaudited)	**QR'000**	**QR'000**	**QR'000**	**QR'000**	**QR'000**
Debt securities with a counterparty credit rating in the series of ‘A’	25,454	897	(2)	-	26,349
Debt securities with a counterparty credit rating in the series of ‘B’	176,081	(2,861)	(457)	-	172,763
Debt securities with a counterparty credit rating in the series of ‘C’ and non-rated	18,800	(3,368)	-	(828)	14,604
	220,335	**(5,332)**	**(459)**	**(828)**	**213,716**

13 IMPACT OF CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Credit risk (continued)

Simplified approach:
For insurance and non-insurance related receivables, the Group applies the simplified approach to estimate expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for those receivables.

a) Due from policyholders, insurers and reinsurers, and other insurance-related debtors

30 September 2018 (unaudited)	Gross carrying value QR'000	ECL allowance QR'000	Net carrying value QR'000
0-60 days	50,883	(640)	50,243
61-90 days past due	19,175	(666)	18,509
91-180 days past due	27,559	(1,241)	26,318
181-365 days past due	50,628	(13,731)	36,897
More than 365 days	121,942	(33,573)	88,369
	270,187	**(49,851)**	**220,336**

b) Due from non-insurance-related receivables

30 September 2018 (unaudited)	Gross carrying value QR'000	ECL allowance QR'000	Net carrying value QR'000
0-60 days	1,614	-	1,614
61-90 days past due	1,773	(160)	1,613
91-180 days past due	2,232	(142)	2,090
181-365 days past due	5,666	(844)	4,822
More than 365 days	21,771	(21,771)	-
	33,056	**(22,917)**	**10,139**

13 IMPACT OF CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Credit risk (continued)

Impaired financial assets
A reconciliation of all the allowances for impairment losses post adoption of IFRS9 is as follows:

a) Reinsurance assets

	30 September 2018 QR '000 (Unaudited)	31 December 2017 QR '000 (Audited)
At the beginning of the period / year	-	-
Adjustments on adoption of IFRS 9	4,622	-
Impairment reversals during the period / year	(814)	-
At the end of the period / year	3,808	-

b) Debt instruments

	30 September 2018 QR '000 (Unaudited)	31 December 2017 QR '000 (Audited)
At the beginning of the period / year	4,737	1,150
Adjustments on adoption of IFRS 9	(2,714)	-
Impairment (reversals) losses during the period / year	(736)	3,587
At the end of the period / year	1,287	4,737

c) Due from policyholders, insurers and reinsurers, and other insurance-related debtors

	30 September 2018 QR '000 (Unaudited)	31 December 2017 QR '000 (Audited)
At the beginning of the period / year	42,429	35,056
Adjustments on adoption of IFRS 9	5,202	-
Impairment losses during the period / year	2,220	7,373
At the end of the period / year	49,851	42,429

d) Due from non-insurance-related receivables

	30 September 2018 QR '000 (Unaudited)	31 December 2017 QR '000 (Audited)
At the beginning of the period / year	21,905	23,056
Adjustments on adoption of IFRS 9	2,063	-
Impairment reversals during the period / year	(615)	(1,151)
Write-offs during the period / year	(436)	-
At the end of the period / year	22,917	21,905

14 RECLASSIFICATION OF COMPARATIVE AMOUNTS

Certain comparative figures have been reclassified to conform to the presentation in the current year's interim condensed consolidated financial statements. However, such reclassifications did not have any effect on the net profit and equity of the comparative year, except for the impact of adoption of IFRS 9.

15 GROUP CHIEF EXECUTIVE OFFICER'S REMUNERATION

The Board of Directors is in the process of reviewing the modalities of calculating the Group Chief Executive Officer's remuneration as per the terms of his employment contract, which has been approved by the Board of Directors. Cumulative adjustments, if any, as a result of such review will be recorded by the Group in subsequent periods.

16 DUBAI BRANCH OPERATIONS

During the previous year, the Board issued a resolution to exit from the insurance market in Dubai. The exit strategy is subject to obtaining necessary approvals from the concerned regulators.